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BUSINESS WEEK

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Dry Dock Corp.

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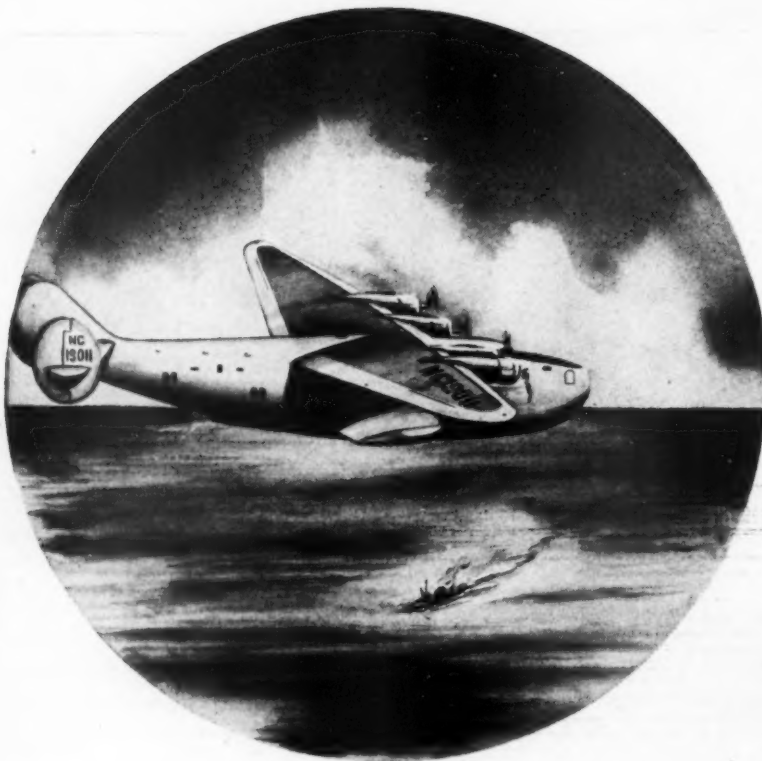


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It must not stop now!

Like a long-distance plane winging its way over the high seas, order-laden industrial plants *must not stop* through power-plant failure. Greater than ever is today's need for power-plant dependability. Greater, therefore, is the need for careful check-up—for the most competent and thorough insurance-inspection available.

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Hartford Steam Boiler has brought these facilities to American industry for 75 years. More than 400 well-trained inspectors and supervising

engineers carry out its nation-wide operations. They have the undivided support of a financially strong organization engaged solely in power-plant accident prevention and insurance. It is that support which makes their help to you so valuable.

Hartford Steam Boiler service has the man-power to get to your equipment frequently; to come to your aid quickly should emergency threaten or disaster occur.

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Covers: Boilers • Steam, Gas and Diesel Engines • Turbines • Pressure Vessels • Electrical Equipment
Hartford Steam Boiler writes more power-plant insurance than any *FIVE* other companies combined. Shop-inspects over 90% of the nation's industrial-power boilers during their construction.

BUSINESS WEEK

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1941

Plowing a 1600-mile furrow for defense

THE nation's transcontinental telephone facilities are being more than doubled—in a hurry!

Telephone crews now are working west from Omaha. Others soon will start east from Sacramento. When they meet, their tractor-hauled "plow trains" will have buried two Long Distance telephone cables three feet underground, in a furrow 1600 miles long!

Together, these twin cables provide for more than 500 new telephone talking channels—plus facilities for radio, teletype and telephoto. Protected against all weather hazards, they make it unlikely that America's coast-to-coast communications will ever be broken.

Big as it is, this job is only a small part of the Bell System's share in national defense.

LONG DISTANCE helps unite the nation

"THE TELEPHONE HOUR" is broadcast every Monday evening over the N.B.C. Red Network



Here's the new cable route—from Omaha to Cheyenne, to Denver, to Salt Lake City, to Sacramento. The special plow in the picture cuts a deep, narrow trench, lays two cables, and refills, in one continuous operation. Each plow can cover several miles a day under favorable conditions.

How to keep close to
defense production in
NEW YORK STATE

Dear Jim:

I was all set to give B— our order for machine parts. But I didn't like the offhand way they guaranteed delivery. So I asked some questions at the local Marine Midland Bank. Found B— was so tied up on materials they couldn't deliver anything but promises. Marine Midland told me about M— in the next town. They can positively handle the order. I'm due there today . . .



► Knowledge of plant and production facilities is money these days of priorities and rush defense orders. In New York State, Marine Midland customers save time and trouble by letting Marine Midland Banks be their eyes and ears in 39 leading manufacturing and trading centers. This is possible because executives of these banks are in close personal contact with people and their business activities in the World's Richest Market.



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BUSINESS WEEK

and the ANNALIST

Oct. 25, 1941

THE COVER

You might easily be confused about Gen. Eiki Tojo, new Premier of Japan. For instance, there's confusion between Tojo and Togo, his Foreign Minister. And some are confused about the difference between his present attitude and that of Japan's out-and-out war party. But the most dangerous confusion for Americans would be that arising from failure to see that only one thing will determine his final attitude—page 15.

RUBBER AND DEFENSE

A battleship takes 1,000 tons of rubber. In a medium tank, there's 1,750 lb. of rubber. Tires for the big bombers weigh up to 1,000 lb. each. That gives you some idea of what rubber means to national defense. What defense means to rubber can be told in the equally impressive statistics of increased sales and payrolls, of thriving business in Akron where 80% of the people depend for their livelihood on rubber. But defense has meant more than orders and contracts; it's meant government regulation of price and supply and a new stability in Akron's regular business of manufacturing and selling tires—page 20.

NO STRIKE, BUT—

Officially, contractual relations between U. S. Steel at Gary, Ind., and the Steel Workers Organizing Committee are good—at least, they're everything that the contract calls for. Unofficially, they're considerably strained. There's no strike, and there's no work stoppage, not at least as defined by the contract. Yet every once in a while a few key men don't report for work, and a whole division has to close down. Such absenteeism isn't coincidence; it's guerrilla warfare. What's wrong—page 56.

FOR THE RECORD—THE COST OF LIVING

Key economic statistic these days is the cost of living. Why? Because it indicates to the business man whether workers' demands for wage boosts are justified by increased household expenses. Also, because it suggests to retailers whether rising prices are apt to provoke a buying panic or a buyers' strike. And so, in this issue—page 50—Business Week begins publication of a regular monthly feature, statistics on the cost of living, covering food, rent, clothing, etc.

BACKSIDE OF A BOOM

On the surface, the railroads seem to be sitting pretty. Yet railroad stockholders are falling over themselves in an effort to unload. The explanation: they have an unhappy hunch that the roads' defense boom trimmings will go through the wringer at the war's end, and they fear that, even before then, wage increases will wash the black ink out of income statements. For details on how railroad prospects stack up—page 26.

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Business Week • October 25, 1941

K WASHINGTON BULLETIN

941 FOR BUSINESS BY BUSINESS WEEK'S WASHINGTON BUREAU

On a War Footing

Expect dramatic developments in the defense program in the next few weeks. Plans were under way before the Kearny incident and the sinking of two more American ships but they have been speeded by this week's shocks and by the heartening reports on Russia's capacity to hold out, brought home by the Harriman mission.

Beginning this week, war production—and it's "war," not "defense," because there's no longer any mincing of words—becomes the No. 1 item on the business' docket. Plans are long-term (three years); call for complete subordination of civilian business (note this week's drastic copper restriction—page 74); demand that production be put on the basis of a 24-hour day, seven days a week. It's all been said before, but this time Washington means business.

Expansion, Order of the Day

This country's entire war production to date is like a pilot plant compared to what's coming. You can discount many of the Washington stories indicating an immediate doubling and tripling of delivery schedules. Physical limitations will prevent any such spectacular increase in the next few months. But Administration expansionists have won their fight to boost production in any line which threatens to bottleneck the new "Victory Program." All consideration of the post-war effects has been dropped.

Batt for Knudsen?

Corresponding to the changed policy is changed top personnel. New Dealers in the main have taken over policy-setting from the dollar-a-year men. And they have found in Nelson a business man who, on war, sees things their way.

Look for a further shakeup of bigwigs in the production program. Harry Hopkins is urging the President to boost the hard-hitting, New Dealish William L. Batt to the post of Director General of the Office of Production Management. William Knudsen, whom he would replace, is considered the best technical man in the production hierarchy, but is thought to lack the flexibility and breadth of vision to administer the gigantic new production program.

There's talk of Knudsen being placed in specific charge of the all-important new tank program—biggest single organization job confronting the Supply Priorities and Allocations Board this win-

ter. If the move materializes, he would retain his seat on SPAB, which would simply be enlarged to make room for Batt.

Spurring Metal Plants

Despite the claim of some executives in the metal-working industries that labor will not support a seven-day week, White House advisers claim they have assurance from leaders in both labor groups that workers will get behind the new program. To forestall any possible renegeing, labor representatives will be given equal representation on new "Victory Program" planning councils.

• **Bottleneck**—Due for an airing very soon are claims that management is mainly responsible for the fact that the metal-working industry is operating an average of only 50 hours a week when some authorities insist that its practical capacity is nearer 100 hours. Showdown will come in a series of conferences already begun in which lagging plants will be forced to justify their single-shift operation when a few are working as much as 120 hours a week.

Signs of the Times

Donald Nelson gave the tipoff on the new tempo when he declared that severe sacrifices for 18 months are to be preferred to a decade of lean times. Isador Lubin, presidential trouble-spotter and rising satellite in the new war-production constellation, significantly is handing out to all important visitors copies of the Brookings Institution study, "A Short War through American Industrial Superiority," by Louis Marlio.

Baruch Plan Again

The shock of seeing Canada set up, practically overnight, a price ceiling system (page 77) which extends its control to wages, threw a left hook into the Administration's advocacy of Henderson's "selective control" anti-inflation bill, bound up in hearings on capitol hill. The Administration defense of its program—embodied in the Henderson statement specifically authorized by the President—points out significant differences between the Canadian and United States economic setups. Canada's small population and compact industrial composition make it easy to police the Baruch-type of over-all price fixing adopted there. And Canada is at war—hence drastic controls and regimentation of the home front are politically feasible.

Henderson also pointed out that before Canada reached the stage of maximum utilization of resources for military production, Ottawa also relied on selective price control. It was only after more than 44% of the Dominion's productive capacity was devoted to defense that over-all price control was attempted.

• **Prospect**—Best guess in Washington Thursday was that, despite the Canadian price control blitz, it would be January before a price law is passed in this country. How far the Canadian move will win converts to the Baruch plan is a question.

Industry Certification

The revised setup for coping with "priorities unemployment" (BW—Sep. 13'41, p15) is beginning to show results. In addition to the two communities—out of ten already certified—which have received defense work (Manitowoc, with \$3,000,000 in orders and Racine-Kenosha with a new \$225,000 contract), OPM has adopted another approach—certification of an entire industry. The household washing machine and ironer industry was certified Oct. 10 and immediately received a \$12,000,000 contract for .50-caliber anti-aircraft machine-gun mounts.

Significant in this industry certification is the fact that three large companies will handle the prime contracting on the gun-mount order, farming out subcontracts to smaller companies in the industry. Decision on where subcontracts go will be made by the industry's own committee.

• **Pattern**—The Army's contract distribution division will watch results closely, hopes that success of the plan will set a precedent for other industries.

Rosenman on Housing

The report that Judge Samuel I. Rosenman will make to the President on federal housing agencies will deal with personalities and policies alike. From an authoritative source it has been learned that a preliminary report already on the President's desk proposes: (1) that Federal Works Administrator John Carmody be transferred to the vacancy on the Maritime Commission; (2) that Brig. General Philip Fleming, Wage and Hour Administrator, be made Federal Works Administrator, (3) that Nathan Straus be eventually replaced as U. S. Housing Authority Administrator, (4) that a construction unit be set up in OPM's priorities division to fix the construction policy for the duration of

the defense crisis, and (5) that Defense Housing Coordinator Charles F. Palmer coordinate policy between private industry and the government construction agencies.

Since all nonessential construction will eventually be stopped by SPAB's recent order, Rosenman proposes that the bulk of the defense home construction program be shifted to private industry in an effort to keep that industry on its feet. It is roughly estimated that private industry will be called upon to build four to five times as many defense homes within the next year.

• **Policy**—General policy will be for the government to build only those homes which private industry won't build. It will be the job of Palmer's office to determine the need for defense homes and to encourage private builders to construct as many as possible.

Handling Labor Gently

The Administration is still treading softly and carrying a small stick in dealing with labor impediments to defense production. The impending crackdown on defense strikes hinted at by the President at Hyde Park has wilted to a not-so-blistering statement from OPM that stoppages and slowdowns on defense work are "the greatest help the aggressors can get in these days when material on the battlefield is everything."

The OPM statement, signed by Knudsen, Hillman, Stimson, and Knox, defensively points out that the U. S. Conciliation Service and the National Defense Mediation Board provide the mechanism for settling disputes before work stoppages occur. No specific directive for the settling of jurisdictional conflict within labor's ranks—toughest nut of all—is mentioned.

Navy Aids Odlum

Floyd Odlum has pressured the Navy into relaxing its rigid restrictions on information about defense contracts. Since last July, Navy contracts have been missing from contract compilations on which "spread-the-work" agencies have depended in their drive to stimulate subcontracting. Now that pyramiding demands for increased production are making subcontracting imperative, notice of all but a very few "restricted" contracts will go regularly to OPM's Contract Distribution Division.

To avoid revealing the Navy's over-all program, CDD field offices will receive notice of only those contracts which have significance to the region they serve.

Another Week for Rain

Federal Power Commission's order to Duke Power Co. to pour additional energy into drought-stricken Tennessee for

defense operations is the last step to stave off rationing in the Southeast as long as possible. Three million kilowatt hours of daytime deliveries, in addition to voluntary off-peak contributions from Duke and from other utilities, is expected to add another week to the period of grace before rationing—a week in which to wait for rains to fall on Alabama, Georgia, and Tennessee. The additional deliveries also will serve to mitigate the severity of rationing if and when it has to come (BW—Oct. 11'41,p8).

• **Compulsory**—Because Duke's additional deliveries require it to share its relatively good water reserves with other states, possibly at the expense of North Carolina consumers using secondary power, the arrangements were put on a formal mandatory basis. The FPC order protects both the utility and state commission.

Nationalizing Rubber?

So far, Akron may find Washington's control of rubber supplies and prices pretty much to its liking, particularly since it's sweetened with heavy defense contracts (page 20), but the feeling may not be mutual. There's more than a hint of trouble ahead in a recent rubber industry report from the Department of Commerce.

After remarking the "usual industry competitive practices" which led to the imposition of price and production controls in order to put a brake on "continuance of maximum business with consequent high consumption of required materials," the report notes that "the rubber industry has been incapable of self-regulation," ostensibly because "it is a collection of individualistic and independent companies with diverse and opposed policies and interests."

The report then remarks ominously that "the groundwork for government control is now definitely provided through . . . regulations . . . which constitute a long step toward possible eventual complete nationalization of the rubber industry."

Paper-Savers

Encouraged by OPM's decision to print all press releases on both sides of the paper and single-spaced, the Budget Bureau has cracked down on the lavish use of mimeograph paper by all government press agents. Even so, there's going to be no net saving of paper immediately. The various government agencies have been rolling some 800,000 lb. of paper through their mimeographing machines each month, and the Army and Navy use another 800,000 lb. in the field.

OPM, one of the biggest users, rang up a total of 3,675,000 mimeographed pages in September before the economy

wave hit the press bureau. Government paper requirements for the first six months of 1942 will be the largest in history—94,200,000 lb. as against 57,000,000 lb. for the current six months.

P. S.

Russia's defense needs were merely a pretext for holding up delivery on 18 light bombers for Peru last week. Actually, Washington was cracking down on the Peru government for its continued refusal to settle its border dispute with Ecuador. . . . That much-publicized gasoline shortage was further liquidated this week, when, as predicted (BW—Sep.27'41,p7), Britain returned 15 of the tankers which the U. S. had loaned her. . . . The fight over the agriculture vacancy on the Federal Reserve Board now appears to have opened the way for the appointment of the compromise candidate, R. R. Evans, administrator of Agricultural Adjustment Administration. . . . The President has thrust his finger into San Francisco's problem of complying with Secretary Ickes' version of Raker Act requirements in distribution of Hetch Hetchy power. To squelch arguments that an attempt will be made to change the act if the city defeats municipal ownership next month for the ninth time, Roosevelt said he doubted that a prudent Congress or Administration would permit the alteration. . . . The formula for financing "scrambled facilities" in expanding steel capacity begins to take on shape (BW—Oct. 18'41,p24). While providing flexibility adaptable to individual cases, general governing terms now under discussion provide a 10% rental basis, 3% to apply to interest and 7% to principal, which means a 14-year amortization period. . . . The Agriculture Department is pressing research into the dehydration of fruits and vegetables. Successful dehydration would reduce shipping needs from 60% to 70% and solve to some extent the problem of supplying adequate food to Britain. . . . The defense program has created a traffic problem in Washington. A year ago 50,000 persons daily came and went via the Union station. The number now averages 80,000 daily. . . . Latest move of Harriet Elliott's Consumer Division in OPA is a plan to set up local consumer information centers to provide information and receive complaints on such consumer problems as rising prices, housing shortages, etc. First experimental centers will be Detroit, Mich., and Williamsport, Pa. Business groups, afraid the centers may afford a rallying point for adherents of the "consumer movement," aren't too happy about the move. . . . Thurman Arnold's monopoly purge reached cranberry canners and marketing co-ops last week with a four-count indictment handed up in the New York federal court.

FIGURES OF THE WEEK

THE INDEX (see chart below)

PRODUCTION

	§ Latest Week	Preceding Week	Month Ago	6 Months Ago	Year Ago
Steel Ingot Operations (% of capacity)	97.8	98.4	96.8	96.0	94.9
Automobile Production	85,600	79,065	60,615	99,945	114,672
Engineering Const. Awards (Eng. News-Rec. 4-week daily av. in thousands)	\$13,202	\$17,294	\$22,359	\$15,898	\$22,712
Electric Power Output (million kilowatt-hours)	3,273	3,315	3,232	2,874	2,838
Crude Oil (daily average, 1,000 bbls.)	4,111	4,071	4,074	3,753	3,668
Bituminous Coal (daily average, 1,000 tons)	1,858	1,854	1,838	200	1,391

TRADE

Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars)	92	93	92	85	85
All Other Carloadings (daily average, 1,000 cars)	58	60	61	28	50
Check Payments (outside N. Y. City, millions)	\$5,763	\$5,548	\$6,357	\$5,387	\$4,934
Money in Circulation (Wednesday series, millions)	\$10,283	\$10,237	\$10,046	\$8,989	\$8,229
Department Store Sales (change from same week of preceding year)	+13%	+35%	+8%	+41%	+3%
Business Failures (Dun & Bradstreet, number)	178	210	180	267	262

PRICES (Average for the week)

Spot Commodity Index (Moody's, Dec. 31, 1931 = 100)	205.9	210.7	215.5	185.9	164.6
Industrial Raw Materials (U. S. Bureau of Labor Statistics, Aug., 1939 = 100)	144.7	145.6	145.9	134.9	117.5
Domestic Farm Products (U. S. Bureau of Labor Statistics, Aug., 1939 = 100)	153.4	157.5	163.5	135.3	119.1
Iron and Steel Composite (Steel, ton)	\$38.15	\$38.15	\$38.15	\$38.15	\$38.07
Scrap Steel Composite (Iron Age, ton)	\$19.17	\$19.17	\$19.17	\$19.17	\$20.67
Copper (electrolytic, Connecticut Valley, lb.)	12.000¢	12.000¢	12.000¢	12.025¢	12.154¢
Wheat (No. 2, hard winter, Kansas City, bu.)	\$1.10	\$1.13	\$1.14	\$0.88	\$0.81
Sugar (raw, delivered New York, lb.)	3.50¢	3.50¢	3.50¢	3.37¢	2.80¢
Cotton (middling, ten designated markets, lb.)	16.12¢	16.66¢	16.85¢	11.07¢	9.34¢
Wool Tops (New York, lb.)	\$1.301	\$1.303	\$1.313	\$1.246	\$
Rubber (ribbed smoked sheets, New York, lb.)	22.50¢	22.50¢	22.50¢	22.90¢	20.45¢

FINANCE

90 Stocks, Price Index (Standard & Poor's Corp.)	77.0	77.9	81.8	74.7	85.1
Medium-Grade Corporate Bond Yield (30 Baa issues, Moody's)	4.29%	4.28%	4.32%	4.34%	4.54%
U. S. Bond Yield (average of all issues due or callable after twelve years)	1.90%	1.90%	1.95%	1.97%	2.09%
U. S. Treasury 3-to-5-year Note Yield	0.41%	0.39%	0.36%	0.55%	0.43%
Call Loans Renewal Rate, N. Y. Stock Exchange (daily average)	1.00%	1.00%	1.00%	1.00%	1.00%
Prime Commercial Paper, 4-to-6-months, N. Y. City (prevailing rate)	1/8%	1/8%	1/8%	1/8%	1/8%

BANKING (Millions of dollars)

Demand Deposits Adjusted, reporting member banks	24,640	24,400	24,375	23,577	21,317
Total Loans and Investments, reporting member banks	29,379	29,132	29,098	27,163	24,402
Commercial and Agricultural Loans, reporting member banks	6,568	6,501	6,362	5,530	4,722
Securities Loans, reporting member banks	990	920	906	934	895
U. S. Gov't and Gov't Guaranteed Obligations Held, reporting member banks	14,374	14,307	14,408	13,494	11,888
Other Securities Held, reporting member banks	3,763	3,749	3,773	3,798	3,637
Excess Reserves, all member banks (Wednesday series)	5,230	5,210	5,249	6,264	6,869
Total Federal Reserve Credit Outstanding (Wednesday series)	2,313	2,265	2,316	2,286	2,481

* Preliminary, week ended October 18th.

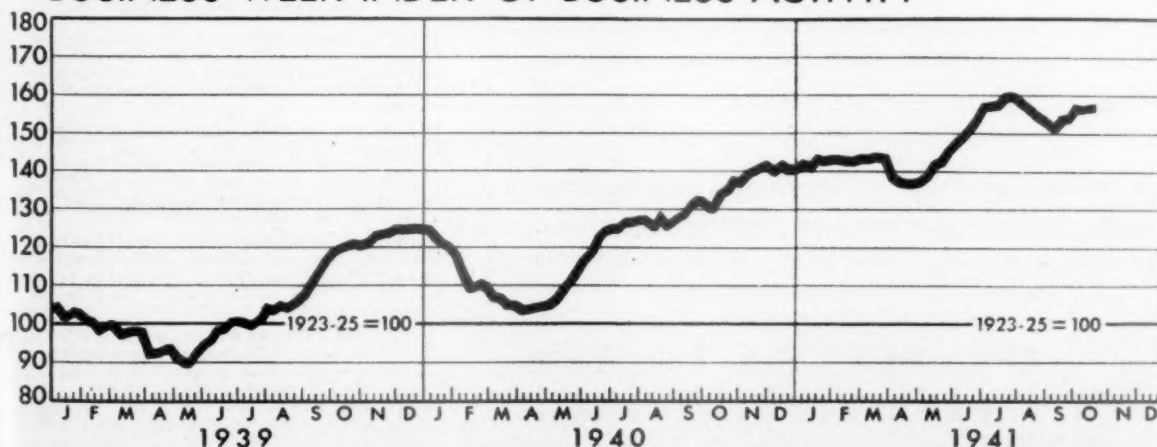
† Revised.

§ Date for "Latest Week" on each series on request.

‡ Not available.

‡ Ceiling fixed by government.

BUSINESS WEEK INDEX OF BUSINESS ACTIVITY



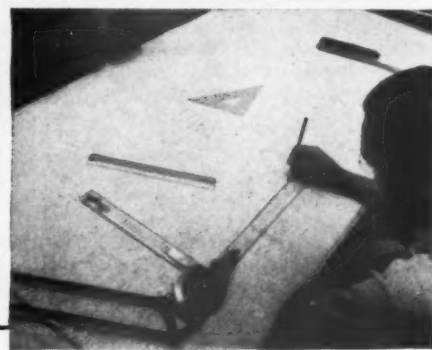
"G-E Fluorescent Lighting certainly did *ROLL BACK THE ROOF*"



says J. A. Raterman, Monarch Machine Tool Co., Sydney, Ohio



See how this high level lighting from G-E MAZDA F lamps cuts down any specular reflection; minimizes glare from lamp image reflected from highly polished gloss surfaces.



"When we installed G-E Fluorescent lighting in our drafting room and engineering office,* it certainly did roll back the roof! We like it because it's fitted to our needs . . . gives more than 75 footcandles of soft, cool light to make seeing easier and faster; and cuts down eyestrain. In addition to bringing us added comfort this summer, *actual savings have been effected in maintaining our air conditioning system.*"

Before you buy fluorescent lighting to help your business, it will pay you to follow the four important suggestions at the right.

*Monarch also has R-F fluorescent lighting in its plant.



TO MAKE SURE OF FLUORESCENT LIGHTING AT ITS BEST do these 4 simple things

1 GET SOUND ADVICE . . . How much light does your business need? How should it be installed for best results? These questions can be answered by your G-E MAZDA lamp distributor or local electric service company.

2 ASK FOR CERTIFIED FIXTURES . . . such as those bearing the Fleur-O-Lier label, at right, or the RLM label, and get fixtures and auxiliaries (ballasts and starters) that meet rigid specifications for high power factor, good light, balanced performance.



3 GET THE BENEFIT of wide choice of fixtures to suit your needs and your taste. General Electric does not make fixtures for MAZDA F lamps, but co-operates with leading fixture manufacturers to assure fluorescent fitted to your needs.

4 GET THE RIGHT LAMP. When you specify G-E MAZDA F lamps, you get all the economies and efficiencies developed by famous MAZDA research. You get lamps designed to fit your needs best . . . lamps made to stay brighter longer.



THE OUTLOOK

Raising the Sights for War

All production quotas boosted as size of job to be done becomes apparent and formal hostilities threaten. Despite shrinkage of nondefense output, buying power will assure sales pickup.

The prospect of an actual shooting war frames the business picture. As things stand today, only a diplomatic hairline separates this country from formal combat. The torpedoing of the destroyer Kearny, followed by this week's announcement of the sinking of two more merchant vessels, virtually pushed the ship-arms bill through Congress. It is simply a question of time before word comes of some naval engagement between a German U-boat and an American war or merchant vessel. This would be a logical extension of the Kearny, Greer, and other high-seas incidents. Moreover, the situation in the Far East continues to hang in a delicate, day-to-day balance.

An Inescapable Necessity

Already, Washington is taking cognizance of the imminence of a shooting war. Arms production sights are being set higher than ever. A year ago, the government thought of armament expenditures of \$10,000,000,000 a year; six months ago the goal was \$24,000,000,000; as recently as last month \$36,000,000,000 was regarded as a desirable but hard-to-achieve outlay; but now an annual expenditure of \$50,000,000,000 is being seriously discussed—not as the desirable goal, but as an inescapable necessity.

These new estimates have not yet been set to blueprints. But in current official analyses, the realization is uppermost that if Germany is to be defeated, the burden of producing the necessary airplanes, tanks, and guns will fall on this country. The probability that an expeditionary force will be needed in addition is no longer omitted from the reckoning.

Not "Can" But "Must"

It is this new factor in the equation—not only supplying the British and the Russians, but of also equipping an expeditionary force—that has lifted all defense production sights. And when OPM Director Knudsen said a week ago that by 1943 about 65% of the country's industrial energies would be devoted to arms, he unquestionably had just this contingency in mind. For, the possibility of actual entry into war changes the nation's entire production emphasis. No longer is it a question,

"Can we turn out the stuff?" It is a command, "We must!"

Buying Power Still Rising

These continually expanding armament requirements are bound to exert an increasing pressure on the domestic economy. Nondefense output more and more will be pushed into the background by limited supplies of critical materials. SPAB and OPM undoubtedly will attempt to allocate metals, etc., so as to cause as few dislocations as possible in employment; but, as time speeds on, decisions will have to be made on grounds of immediate defense expediency, rather than on general economic consequences. Already there is a hint of this. Though automobile production

quotas have been set for January, manufacturers have been warned that necessary materials may be wanting.

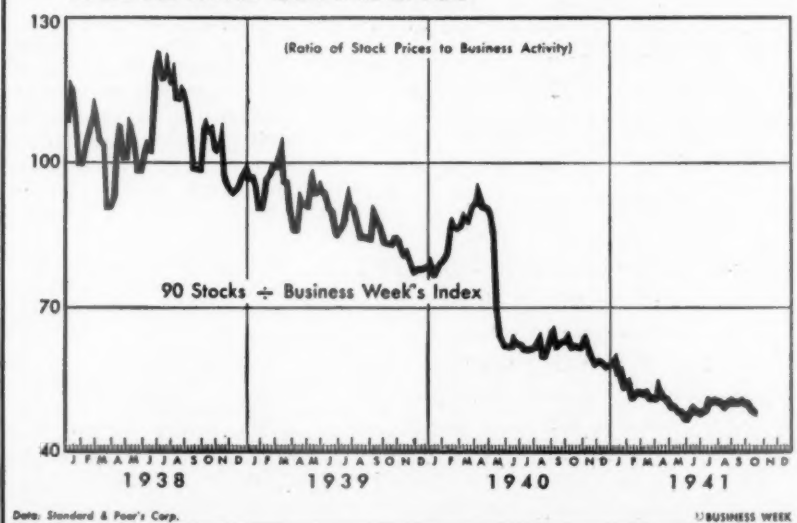
Defense output, however, will provide a constant lift to business as a whole. Last month, expenditures reached a new high of more than \$1,300,000,000; during the first half of this month, outlays ran at the monthly rate of \$1,500,000,000. Since these outlays take the form of wages and salaries principally, they represent a constant force for purchasing-power expansion.

The Christmas Outlook

It is true that so far in October, retail sales have been "slow." Consumers bought ahead, for one thing; and price advances, for another, deterred buying (page 50). However, the analytical business man will not conclude from this short experience that the sales boom is over and that Christmas buying will be disappointing. The current buying resistance is more psychological than permanent.

Remember, consumers become accustomed to established prices. The house-

IN THE OUTLOOK:
SPECULATIVE CONFIDENCE



Ever since Munich in September, 1938, speculative confidence in the United States has been on the wane—as the chart indicates even to the casual glance. Investors and speculators have placed a persistently diminishing cash value on a given volume of business activity. But of late speculative confidence has been scraping along a bottom. For five months, the index has moved in a narrow range, despite

the powerful march of German troops into Russia. What has been happening is this: Some investors have felt that earnings and dividend prospects at current low stock quotations more than counterbalance the unfavorable war outlook. And they've been nibbling in the open market. As yet that attitude is anything but general in Wall Street. If it were, the confidence curve would rise, not move sideways.

wife usually buys, say, \$1.50 shirts, or has in mind paying \$35 for a particular radio. Then, when she goes to the store and finds out that \$1.50 shirts are up to \$1.65, and the \$35 radio is marked up to \$40, she is set back on her heels. Her immediate response is to refuse to buy—to walk out of the store.

Automobile dealers, particularly, have noted how customers have gagged at the new prices. And sales during this month have certainly reflected consumer recoil. But in time—as the need for new cars (and other goods) becomes assertive and as prospective buyers become accustomed to higher price levels—it is likely that sales generally will pick up.

The fundamental fact to bear in mind is that defense is not only stimulating production but that it is also bolstering buying power. That means that people are going to be in the market for larger and larger quantities of merchandise; and if they can't get "hard goods," such as autos, refrigerators, new plumbing, etc., they will turn to "soft goods." It is a fairly reliable axiom that when people have money and job security they will spend rather freely. And though the expanded defense program will cause temporary and local business dislocations, simultaneously it assures steady employment and purchasing power throughout the country as a whole.

New Coal Snarl

Strike ultimatum handed to steel companies; union shop is crux of problem. Other important disputes being cleared up.

Coal this week again threatened to dent production for defense. John L. Lewis, on behalf of the United Mine Workers Union (C.I.O.), served the National Defense Mediation Board with notice that unless a satisfactory contract was forthcoming from the steel companies (BW—Sep. 20 '41, p. 20), their coal mines would be without a labor force at midnight Saturday.

By a satisfactory contract, Lewis means an agreement under which the captive mines will maintain in their employ only union members and will check off union dues. This has been the bone of contention between Lewis and the steel companies for years and it became a strike issue last month when Lewis served the employers with an ultimatum. NDMB went to work on the case under an agreement which kept the mines operating under the status quo for 30 days while a settlement formula was sought. The 30 days expired at midweek and Lewis announced the Saturday strike date.

• **What Companies Fear**—Ostensibly, the steel companies are rejecting the



A special cordon of armed police was thrown around the entrance to the Air Associates plant in Bendix, N. J., last week, to discourage mass demon-

strations called by the New Jersey C.I.O. because of the company's refusal to accept a Defense Mediation Board order to rehire strikers.

union shop demand for their mines because of fear that the C.I.O. will insist on its extension to the steel mills, a move already foreshadowed at Gary, Ind. (page 56). Lewis's refusal to reassure them on that score has strengthened their resistance in coal. Best hope for averting the scheduled walkout of 44,000 miners seemed to rest with NDMB, which was expected to offer compromise recommendations before the week end. However, that the Board's recommendations would be accepted by Lewis, unless they granted him all he was asking, seemed unlikely.

Meanwhile, most of October's extensive labor trouble had proved to be short-lived.

• **Air Associates, Inc.**—The one outstanding exception was an altercation involving Air Associates, Inc., of Bendix, N. J., C.I.O.'s United Automobile Workers Union, and NDMB. Although the company was maintaining that production was at capacity despite a picket line, Washington held that Air Associates was involved in a strike and had been the first company to defy NDMB.

Labor men were anxious to see that employers were taught that they could not defy NDMB with impunity and were demanding government seizure of the company's plant. The executive branch of the government was going slowly, however. Hints were being dropped about the possibility of taking some of the \$5,000,000 in Army orders away from Air Associates, but the company was taking the stand that it could deliver on due-dates without difficulty.

The company's dispute with the union turns on the question of reinstating strikers who participated in a walkout earlier this month.

• **Trouble in Detroit**—Another strike, still on at midweek but apparently on the eve of being settled by NDMB, persisted in Detroit: a jurisdictional dispute between two A.F.L. unions which paralyzed Railway Express service in the Motor City. NDMB was conceded a good chance of getting it called off after the Railway Clerks Union had made good on their claim to represent Express employees by carrying a poll in which the competing union (Teamsters) refused to participate.

Workers were back on their jobs pending mediation at Spicer Manufacturing and Hillsdale Steel Products, where an A.F.L.-C.I.O. jurisdictional squabble had impeded tank production last week. Robins Dry Dock & Repair in Brooklyn, Great Lakes Steel in Detroit, Midland Steel Products in Cleveland, and Ingalls Shipbuilding at Pascagoula, Miss., were all on normal work schedules after strike flurries (BW—Oct. 18 '41, p. 14).

In addition to coal, there was trouble in the Seattle Shipyards, where a work stoppage of welders went into effect to force the Lake Washington yard to reinstate 200 welders who were suspended from their jobs by demand of A.F.L. craft unions. The welders are really acting to show the A.F.L. they are strong enough to make trouble if they are not granted a union charter of their own.

Japan Poised for Double Play

Tojo elevation warns U.S. that, whatever negotiations continue, Japanese course in Pacific is set and timed solely by what Germany does in the Soviet Union.

Events of the last ten days have brought the world to the next great turning point in this war, pushed the United States close to the crisis point in the "Battle of the Pacific."

Using 3,000,000 men, 20,000 tanks, and up to 10,000 planes, Hitler two weeks ago opened the biggest offensive of this war in a desperate effort to crush the Russians before winter sets in and before effective aid can arrive from Britain and the United States.

● **Japan Takes Its Cue**—By last week, with the Nazi troops rapidly surrounding Moscow and with the Soviet government fleeing to Kuibyshev (formerly known as Samara)—450 miles southeast of the Red capital—Japan picked up its cue, ousted the Konoye government, and installed the most nationalistic of a long series of nationalistic governments. It was plain immediately to those familiar with Tokyo politics that Japanese militarists had stepped into the saddle, ready to pounce on Siberian Russia whenever their strategists decided that the opportune moment had arrived. Many critics believed the start of that climactic double-play by which the Axis hopes to put its foes out of the contest was not far away.

While it is clear now that Japan last week was only setting the stage for the next strategic move in the Orient and that Washington's order to American ships in Far Eastern waters to make for the nearest friendly port was prema-

ture, there is little doubt in the minds of authorities in Washington or of experts on Pacific affairs that this week's lull is only a postponement of a showdown long planned by Tokyo. And it is increasingly plain that each new move by the Nipponese will be synchronized with Axis developments in Europe. On the success of Hitler's showdown in Russia depends the timing of the next drastic move by Japan.

● **Blueprint for Empire**—Tokyo's blueprint for building a great empire in the Far East is only a little less specific than the Nazi blueprint outlined in "Mein Kampf." And it is almost as old.

Back in September, 1931, when the rest of the world seemed to be completely engulfed in the problems of the depression and when China was hopelessly divided by civil war which separated the country not into two camps but into half a dozen, each led by a different war lord, Tokyo precipitated an incident in Manchuria and timidly sent a handful of Japan's railroad troops "to restore order." The whole maneuver was a trial balloon to test whether the Western powers and Russia would do anything. When nothing happened, Japan went ahead with the campaign which during the next four years brought all of Manchuria under its control, carried the Nipponese as far south as Peking and Tientsin, and gave them a big military foothold in Shanghai, where the British had long ruled the

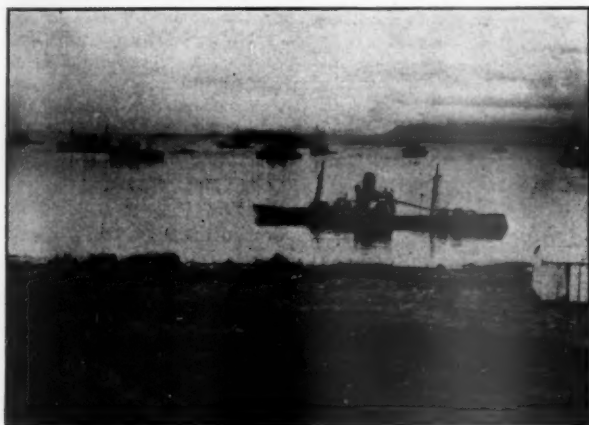
International Settlement and controlled the trade of the Yangtze valley.

By the time the Japanese, in 1937, started their second great drive against the Chinese government, which brought about the capture of Nanking and the great Yangtze industrial region around Hankow, Moscow had made considerable progress fortifying its Far Eastern provinces and building up a vast army with local farms and factories to feed and equip it. Even before the German invasion of Poland precipitated this war, Moscow was credited with an armed force of more than 1,000,000 men in the Far East, a fleet (based at Vladivostok) of more than 125 submarines, and an air force well equipped with massive bombers easily capable of flying the 700 miles to Tokyo and back.

● **Border Incidents**—Nevertheless, the Japanese precipitated a series of incidents along the Soviet-Manchuria border which at times—before 1939—grew to the proportions of three- and four-day pitched battles. These subsided only after Russia became alarmed over the war in Europe and Japan became involved in a showdown struggle in southern China and later in Indo-China.

This is the situation which faced Tokyo last week. As long as Russia holds Vladivostok with its great naval and air bases, Tokyo insists it is a dagger pointed at the heart of the Japanese Empire. Masses of Nippon's finest troops and most modern equipment, both badly needed to push the war against Chiang Kai-shek, are immobilized by Russia's threat from the north. And every dream of marching into the rich hunting grounds of southeastern Asia while the great colonial powers are busy in Europe is haunted by the fear of a stab in the back from Russia.

● **Army Leaders Take Over**—This is the



DEFENDING ICELAND

While the war in the East demands the immediate attention of the United States, the battle of the Atlantic remains its dominant concern—a cir-

cumstance highlighted again last week by the torpedoing of the destroyer U.S.S. Kearny, 350 miles off the coast of Iceland. The defense of Iceland is being steadily speeded up. While the number of United States

ships in the harbor at Reykjavik swells, camouflaged anti-aircraft nests are being dug in the beach (left), and supplies for United States troops, including prefabricated huts (right), pile up on the docks.



END OF A MISSION

The Lockheed Aircraft plant in Burbank, Calif., was one of the last stops made by the British Joint Management-Labor Commission (made up of four British industrialists, four labor leaders) in its six-week tour of U.S.

defense industries, as guests of the OPM. Looking over a "Lightning" plane above are President Robert E. Gross of Lockheed; James Kaylor, British labor leader; Charles K. F. Hague, British industrialist; and Dale Reed, local president of the A.F.L. Machinists Union.

thinking behind the Japanese move last week. After ten years of directing the policy of the government from behind the scenes, the Japanese army leaders have taken over. General Tojo, the new premier is no moderate. In 1938, when Vice-Minister of War, he created a sensation in Tokyo, according to Wilfred Fleisher in his new book "Volcanic Isle," by predicting that Japan would have to fight Russia as well as China. He was one of the most enthusiastic supporters of the Axis pact. And the wife of his Foreign Minister is German.

This is the background against which each new Japanese move must be interpreted. Inability of the Japanese to win a decisive victory against Chungking does not outweigh a long string of victories running from September, 1931, when Manchuria was first occupied, to 1941, when Japan controls the entire coast of Asia from Korea to Siam and a rich hinterland with a massive market. With troops firmly planted in Manchuria, with a network of railroads fanning out from industrial Dairen and

Mukden to the borders of Siberia, Japan is greedily watching as the Russians withdraw planes, tanks, and men from their Pacific provinces for the great showdown in Europe. Whatever risks an invasion of the Soviet mainland may bring, they know that the advantages are not all against them.

• **Waiting for Opportunity**—Japan is not likely to move until the Germans win a decisive victory over the Russians west of the Urals. But if that comes and Germany turns to the south for a showdown with the British in the Middle East, Tokyo sees in it a heaven-sent opportunity to put an end to Russia as a Pacific power. And with this Soviet threat removed, Japan could then turn all its energy toward winding up the campaign in China and rounding out its dream for a New Order in east Asia which means Japanese domination of the entire Pacific seaboard.

This is why Washington is so tensely watching the outcome of the struggle in Russia. On it hinge Tokyo's next moves—and peace in the Pacific.

Repairs Assured

Amended Order P-22 will enable nearly all business except retailing to get the supplies required for maintenance.

Positive steps to keep the whole American industrial machine in first-rate repair have been taken by the Priorities Division of OPM. This was done through a sweeping amendment to Preference Rating Order P-22 (BW-Sep.20'41,p53), governing maintenance and repair supplies, to make it applicable to just about everything except retailing (and some special aid for retailers may be undertaken later).

The amendment grants the use of an A-10 rating to hundreds of thousands of industrial plants for obtaining maintenance and repair materials, and to a certain extent for such operating supplies as fuel. It covers any governmental unit or any private enterprise in the following fields:

- (1) Manufacturing, processing, or fabricating.
- (2) Warehousing.
- (3) Wholesaling.
- (4) Charitable institutions (recognized as such for tax purposes).
- (5) Carriers of all kinds, both passenger and freight.
- (6) Educational institutions, including vocational training.
- (7) Printing and publishing.
- (8) Radio (commercial broadcasting and communications).
- (9) Telephone and telegraph.
- (10) Hospitals, clinics, and sanatoriums.
- (11) Petroleum (discovery, development, depletion).

Comparison of this list with that originally covered in P-22 will reveal that the new classification omits certain industries such as mining. This does not mean that mines now are to be denied preferential treatment on repairs, but simply gives effect to the fact that a special order (P-56) has been issued for mines. Similarly, public utilities are cared for under P-46.

• **No Application Required**—Main significance of the amendment is that it covers any organization engaged in the broad categories of manufacturing, processing, fabricating, warehousing, or wholesaling. Any such plant may order material required as operating supplies or for maintenance and repair without filing any sort of application with the Priorities Division.

The mechanics of the thing are much as they were before the amendment. The plant needing repair parts, etc. gives to the supplier an order on which (on the original and all copies) appears this endorsement, signed manually by a duly designated official:

"Material for Maintenance, Repair,

or Operating Supplies—Rating A-10 under Preference Rating Order P-22, as amended, with the terms of which I am familiar.”

When filling an order so endorsed, the supplier can avail himself of the A-10 rating by using the same endorsement on his own orders for parts or supplies.

• **Some Conditions**—The “terms” with which the business man must be “familiar” are several. For example, repair and maintenance mean simply keeping the property in a sound operating condition; ratings under P-22 cannot under any circumstances be used to improve or expand the plant. Operating supplies cover items such as fuel, lubricants, catalysts, and small perishable tools which are used up in production but which do not in any way become a part of the products being manufactured.

In short, P-22 must not be used to expand plant or to build up a backlog of repair parts in excess of actual immediate requirements. It cannot be used to acquire materials which go into the company's products. However, if you as a supplier receive an order for repair and maintenance materials from, say, a broadcasting company, you may, so as to speed delivery, fill the order from your own inventory and then go out and replace the inventory so used by means of the endorsement quoted above.

• **Use of the Rating**—All orders carrying ratings under Order P-22 must be made up separately from all other orders. The rating must not be used if the material can be obtained without a priority rating. The rating must not be used to obtain larger quantities or earlier deliveries than actually required to keep up the plant. It cannot be used to obtain scarce materials for which substitutions could be made without serious loss of efficiency.

The purchaser and the supplier must each retain an endorsed copy of each P-22 order or contract for at least two years, and these are subject to OPM inspection at any time. Similarly, the OPM may ask both purchasers or suppliers using ratings under Order P-22 to file appropriate reports and questionnaires.

• **Accepting Consequences**—Inspection of these orders obviously opens the way for the Priorities Division to detect anyone who willfully misuses ratings under P-22. By the endorsement on the order, and particularly with the inclusion of the phrase “with the terms of which I am familiar,” the purchaser agrees to take the consequences. Penalties might be (1) an OPM order shutting the violator off from a scarce material for a stipulated period, (2) shutting off all materials under priorities control, or (3) criminal prosecution under section 35A of the Criminal Code. The publicity would be bad under any of these options.

Teeth in Priorities

Division's crackdown on Chicago company affords evidence that enforcement program has reached no-fooling stage.

First blow has been struck in forcing compliance with priority orders governing the distribution of scarce materials. When Donald M. Nelson, Director of Priorities, called in more than a hundred correspondents for a press conference last Thursday afternoon to tell them of punitive action taken against the Central Pattern & Foundry Co. of Chicago, he gave notice that enforcement has passed into the crackdown stage.

This case revealed the type of disciplinary action the Priorities Division can take short of criminal prosecution. It provided a glimpse of the way the defense officials proceed when noncompliance is suspected.

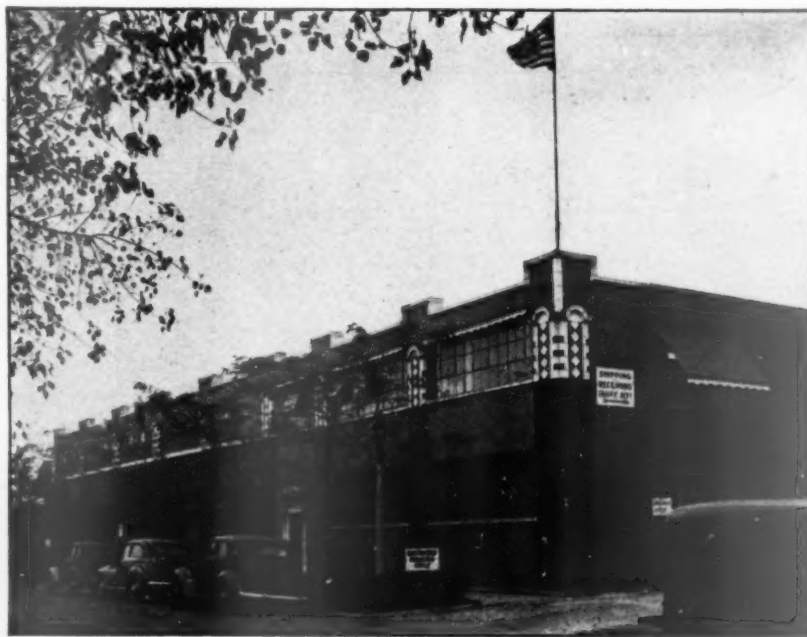
• **Borrowed Investigators**—The Priorities Division until recently has been too busy getting its system running in anything approaching a smooth fashion to spend much time checking up on the leaks. Now, in addition to its own field staff, PD is borrowing the Wage-Hour Division's investigating force numbering about 275. With others to be borrowed from the Census Bureau, the Federal Trade Commission, and the Procurement Division of the Treasury, Mr. Nelson hopes shortly to have 1,000 men to

check up on compliance. They will get a training course to give them an idea of what to look for before they are turned loose.

Correspondents at the press conference popped question after question at the Director of Priorities in an effort to draw from him some statement to indicate just how firm he is going to be with violators. Finally, somewhat out of patience, he snapped, “Either we mean what we say or we don't, and you can take my word that we do!”

• **The Chicago Case**—Obviously, the Priorities Division meant what it said to the Central Pattern & Foundry Co. This company fabricates aluminum, brass, and zinc, employing a force of about 250 men. Late in August, its books were inspected by C. H. Burton, field examiner for the Aluminum and Magnesium Branch of OPM. On Sept. 11, Burton submitted the case to the Compliance Section of the Priorities Division.

The main charge was that the company in July shipped 41,449 lb. of aluminum products for nonessential uses in violation of directions issued by the Director of Priorities. The total was divided: 2,739 lb. for juke-box castings, 8,787 lb. for coin-operated machines, 17,199 lb. for coin machines, 5,613 lb. for railroad coach-seat parts, 3,962 lb. for camera parts, and 3,149 lb. for vacuum cleaner parts. All these fall in the class of B-8 priority ratings, the lowest civilian classification, and an order issued around July 1 prohibited filling of B-8 orders for aluminum. Priorities



The Priorities Division of OPM gave a demonstration of what it meant by “disciplinary action” last week when it ordered the Central Pattern &

Foundry Co., in Chicago (above) to stop making all aluminum goods until March 31—except for defense orders the company had on its books Oct. 1.

Division says the company represented to the authorities that all deliveries of aluminum scheduled for July which fell within the preference rating classes of B-1 through B-8 were less than 1,000 lb. for each order. This representation, PD contends, was false and misleading. The company also was charged with accepting delivery of about 15,600 lb. of aluminum scrap in violation of terms of PD orders, and with making deliveries of aluminum to a number of customers who had not furnished sworn statements as to inventories and orders.

Officials of the company were called before the Compliance Section for a hearing on Oct. 9. Following that meeting, the Compliance Section recommended punitive action which resulted in an order, dated Oct. 16, prohibiting the company from fabricating aluminum until after Mar. 31 except for defense orders on its books Oct. 1. Nor may it accept deliveries of aluminum in violation of the suspension order.

• **Defense Contracts**—The company's defense orders covered about 288,000 lb. of aluminum, and the Priorities Division says it has on hand enough metal to fill these contracts. In view of this business, along with the company's operations with brass and zinc, it is assumed that the company will not be forced to shut down.

While Mr. Nelson refused to indicate any Priorities Division attitude toward punishment of violators, PD frequently has pointed to the fact that its readily available courses of action included adverse publicity, shutting off of one critical material from the violator as in this case, shutting off of all critical materials, or criminal prosecution.

Steel Expansion

First agreements under the "scrambled facilities" method are concluded by DPC with Bethlehem, Republic, and Armco.

In furtherance of the proposed 10,000,000-ingot ton, \$1,250,000,000 iron and steel expansion program (BW—Oct. 11'41,p20), virtually all of it to be government-financed, the first agreements under the "scrambled facilities" method were made the past week with the Defense Plant Corp. These agreements entailed a cost of \$62,343,500. In material, the extended capacity provides for 1,332,000 tons of pig iron, 1,194,000 tons of by-product coke, 600,000 tons of synthetic scrap, 180,000 tons of open hearth steel, 361,200 tons of alloy steel.

Most important was Bethlehem's \$55,777,000 agreement, which preceded by two days the simultaneous announcement of the other two—one for \$5,140,000 with Republic Steel Corp. and the other for \$1,426,000 with the American Rolling Mill Co. All of the new pig iron, coke, and open hearth and plate mill additions covered in these agreements will be built by Bethlehem. Republic and Armco will build the new alloy making capacity (Republic to supply 318,000 tons, Armco 43,200 tons). Armco will add new Bessemer capacity. Here is a breakdown of the units:

• **Bethlehem Steel Corp.**—Three 1200-ton blast furnaces, one each at Lackawanna, N. Y., Sparrows Point, Md., and Bethlehem, Pa. Estimated completion: 18 months.

Additional coking facilities at Steelton, Pa., Sparrows Point, and Lackawanna. Will serve new blast furnace capacity.

One \$1,400,000 open hearth furnace with supplementary equipment at Sparrows Point. Completion expected in one year. Bethlehem is completing three company-financed open hearths at this plant. Annual capacity: 552,000 tons.

One \$20,407,000 132-in. plate mill at Sparrows Point to roll 120-in. plates, ½-in. to 3-in. in thickness. Mill expected to be in production in 12 to 14 months.

• **Republic Steel Corp.**—Five 50-ton electric furnaces and supplementary equipment at Canton, Ohio, with annual capacity of 318,000 tons of alloy ingots. Can be in operation within five or six months if necessary priority ratings are given.

• **American Rolling Mill Co.**—One Bessemer converter at Ashland, Ky., to make synthetic scrap. Annual capacity, 600,000 tons, at cost of \$842,000. Completion estimate at nine months.

Three small electric furnaces at Middletown, Ohio. Annual capacity 43,200 tons alloy ingots. Cost, \$584,000. Completion estimated at five to six months.

• **Earlier Agreement**—Previously a DPC \$58,312,000 "separate unit" agreement was made with Republic for construction of four blast furnaces, two at Cleveland and one each at Youngstown, Ohio, and Gadsden, Ala., with coke oven facilities at Warren, Ohio, and ore mining equipment at Port Henry, N. Y.

DON'T FALL FOR THIS ONE

Treasury Department, intent on prosecuting its defense bond drive with every sales trick in the bag—spot radio announcements, point-of-sale promotion in retail stores, etc.—has now got around to a high-pressure technique of personal solicitation. Salesmen, identifying themselves simply as "Agent X of Treasury Department," phone to ask for personal appointments. Needless to say they get them from business men who figure that any call from the Treasury means a command performance on tax matters.

SAN FRANCISCO POOL

Fifteen manufacturers in the San Francisco area last week decided to give a whirl to the so-called "San Jose plan" for snagging defense contracts and dividing them among member plants (BW—Oct. 11'41,p24). They have incorporated under the name of San Francisco Defense Works, Inc., and will immediately go after a contract for manufacture of airplane magnesium flares for lighting landing fields or areas to be bombed.

Sparkplug of the effort is Carl Friden, president of the Friden Calculating Machine Co., who is Defense Works president. Directors include Fred H. Green of the Atlas Heating and Ventilating Co.; W. A. Wallace, W. R. Ames & Co.; F. L. Anderson, Heating Equipment Co.; George F. Wells, Wells Manufacturing Co.



KEEPING 'EM FLYING

Vultee Aircraft, Inc., of Downey, Calif., made one of the largest single

deliveries of military planes in a long time last week when it lined up 123 of its basic trainers and shipped them off to the Army (73) and Navy (50).

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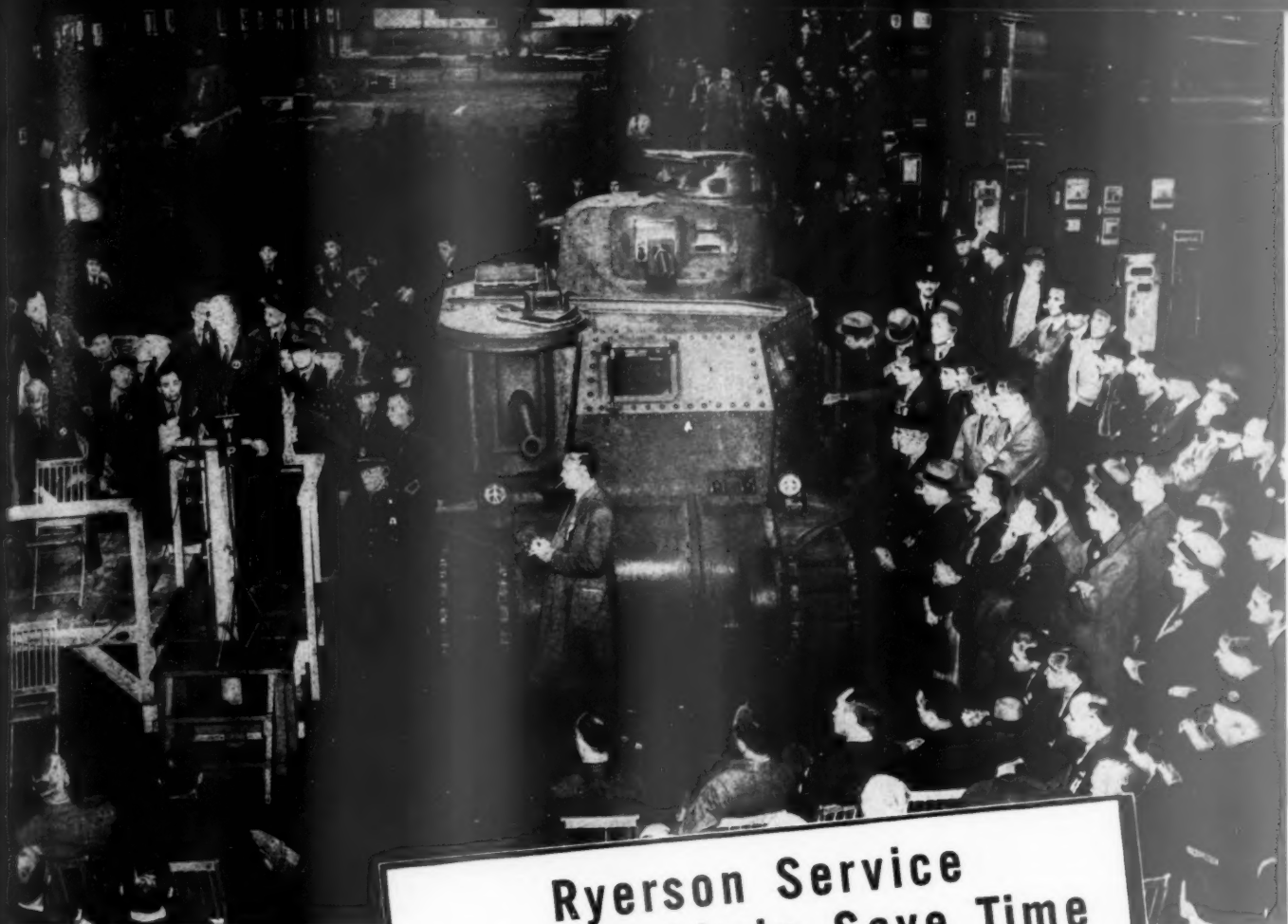
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Ryerson Service Helps Baldwin Save Time on Tank Schedule

Mr. Charles Brinley, President of the Baldwin Locomotive Works speaking at ceremonies when Baldwin's first M-3 tank was turned over to the Army.

● Baldwin needed steel *immediately* for a model tank to be constructed quickly as a guide to future production. *Speed* was the important factor, so Baldwin turned to Ryerson stocks for immediate shipment of the necessary steel. Ryerson alloy and carbon steels were shipped from stock the same day permitting work to begin at once.

Through this quick cooperation and the help of many other suppliers, Baldwin was

able to beat the official schedule. This illustration is typical of the service Ryerson is rendering daily to manufacturers working on the National Defense Program.

Thousands of emergency calls have cut down our large stocks of steel, however, we are still serving thousands of customers in accordance with the OPM plan and believe we will be able to continue this service even if on a restricted basis, for the duration of our national emergency.

Joseph T. Ryerson & Son, Inc., Chicago, Milwaukee, St. Louis, Detroit, Cincinnati, Cleveland, Buffalo, Boston, Philadelphia, Jersey City.

RYERSON

Certified



STEELS

Rubber Goes to War

Despite forebodings, industry is getting its raw material, is meeting herculean defense demands, and is making big money. And government controls have put an end to price-cutting.

Rocketing along at the greatest productive rate in its history, the rubber industry to date has done a bang-up balancing job in satisfying civilian demands while meeting ravenous defense requirements. Nothing like the present era has occurred in the history of this generally unpredictable trade. Even seasoned analysts are unable to gage the full import of the rubber industry's defense effort, or the effect of the government's price, consumption, and buying controls.

Soon the last of the "free" rubber—that held by private dealers—will have found its way into the industry's mills, leaving the Rubber Reserve Co. the sole source. Since the latter part of June, that RFC agency has been the nation's rubber buyer. Through OPM, the industry is told how much rubber it may consume, while OPA's Leon Henderson guards the price structure on finished rubber goods.

● **Reaping Benefits**—While the future may be hazy, the present is proving decidedly beneficial for the industry, although some of the smaller firms not blessed with defense orders are feeling the pinch of priorities and the rubber allocation program. Case in point on the benefit side is the 6.5% increase in retail tire and tube prices which went into effect this week with Henderson's blessing, to offset the increased cost of rubber (pegged at 22½¢ a lb. for 1-X smoked sheet, the prime grade, by the RRC) and other raw materials and rising wage rates.

That move, improving manufacturers' profits recovery 5% to 7%, follows the authorized increase of 2.4% on Aug. 1 and looms in sharp contrast to the manner in which the industry handled its own price affairs just two years ago. Then, in a similar period of rising costs, with a 25% jump in rubber prices alone in the wake of Hitler's march on Poland, Goodyear Tire & Rubber Co., largest unit in the trade, slashed tire prices 12.5%—and the rest of the industry's 30-odd tire makers fell in line.

● **"Bargain" Sales Are Out**—The new increase raises the price of the popular 6.00-16 four-ply size from \$13.85 to \$14.75, exclusive of \$1.05 excise tax, compared to the \$15.95 price (including the 48¢ excise tax) of that size before Goodyear's surprise move two years ago. Gone are the "bargain" tire sales, such as plagued the trade in 1938 and the summer of 1939. The improved price picture and expanding sales of civilian and defense items were reflected in the Big Four firms' six months' profits re-

ports showing aggregate net earnings of \$23,835,268—with the increases ranging from United States Rubber's 46.5% to B. F. Goodrich's 388% over the 1940 period.

Sales of three of the Big Four, United States Rubber, Goodyear, and B. F. Goodrich, totaled \$401,613,844 for the period, with U. S. showing a 37.2% increase, B. F. Goodrich, 45.2%, and 51% for Goodyear. (Firestone, the other member of the big quartet, doesn't report half-year sales.)

● **Looking Ahead**—Sales for the second half may be equally good since there is likely to be no slackening in defense orders and since the sellers' market for tires and mechanical rubber goods continues to show a contra-seasonal bulge. Profits, however, may reflect the wage increases won in recent months by the United Rubber Workers Union.

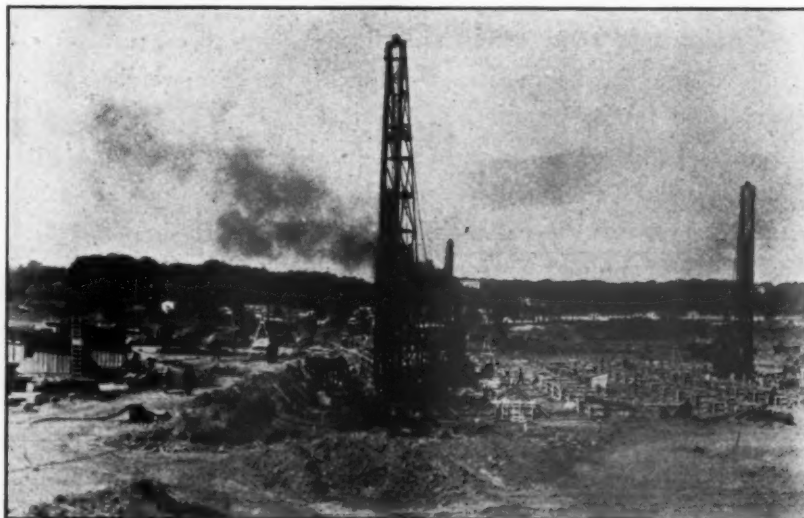
But rubber men know that in the conduct of their affairs, business as usual—the business of catering to American civilian demands—necessarily counts less and less. In the thriving economy of Akron, national defense bulks larger than it does in any other American city of comparable or greater size. Rubber is not only Akron's No. 1 industry; it's virtually its only industry, accounting for 80% of its livelihood, and national defense accounts for 35% to 50% of Akron's rubber business today. Prime

contracts alone are estimated to have yielded \$80,000,000 to \$100,000,000 of business in the past year, and the volume of orders indirectly stimulated by defense is estimated to be at least as large.

● **Military Items**—Included in the wide range of items which the Rubber City now supplies for defense are hundreds of thousands of tires and tubes for the Army's new motorized and mechanized divisions, including trucks, scout cars, and combat vehicles; tracks for tanks and solid rubber tires for their drive wheels; tires, tubes, bullet-sealing fuel tanks, and de-icers for combat aircraft; tons of rubber for every naval vessel; and a wide assortment of items essential to the armed forces such as pneumatic rafts, life-preserver vests, crash-pad linings, parachute seat cushions, and pneumatic flotation gears. For a quick picture of the importance of rubber in modern war consider these statistics; more than 75 tons goes into a modern battleship; 1,750 lb. goes into a medium tank; rubber tires for the big bombers weigh up to 1,000 lb. each—and, incidentally, if those bombers weren't equipped with rubber de-icers it would be almost impossible to ferry them across the cold North Atlantic.

To the sum total of the value of all these products produced directly for defense must be added an unmeasurable volume of rubber goods in the form of hose, belting, and molded and extruded products used along the production lines of thousands of plants producing defense goods.

● **New Fields of Production**—Moreover, the emergency has catapulted some of the rubber companies into wholly new fields of production. Both Goodyear and



OVER THE RIVER

Washington had a hard job finding a place for its new War Department building in the crowded capital. After

a long debate, the \$31,000,000 structure is at last under way on the Virginia side of the Potomac, where the Army men can look up from work to Lee's pillared home at Arlington.



DON'T tell it to the Marines—they **KNOW!**

WHAT'S BACK of that classic phrase "Tell It to the Marines"? Is it a touch of envy, perhaps? Is it admiration, in disguise?

The tough Marines don't give a hang. They just go on getting tougher. "From the Halls of Montezuma to the Shores of Tripoli" sing the Devil Dogs, and you get a glimpse of the colorful history of the United States Marine Corps—a history of brilliant service in many lands. In 95 of the years since the American Revolution the Corps has gone into action at the famous call "Send Marines!" They are *the soldiers that go to sea*—first on the war scene, first to fight.

If they'd let you visit the Marine Corps bases at Quantico, at San Diego, at Parris Island and Guantanamo, you'd see the Marines preparing your defense



Emblem
of the United States
Marine Corps

by ultra-modern attack strategy—each division training to be its own self-contained expeditionary force, complete with planes and tanks and artillery, trucks and tractors, and engineer and supply services.

Today International Harvester, dedicating its effort to the cause of NATIONAL DEFENSE, pledges its trucks to the needs of the Armed Forces of the nation. Today the lessons of rugged, world-wide service—such service as Internationals have long been privileged to render the Marines—bear fruit of inestimable value. Wherever duty calls them in the emergency, International Trucks shall play their part—Defenders all!

sons of rugged, world-wide service—such service as Internationals have long been privileged to render the Marines—bear fruit of inestimable value. Wherever duty calls them in the emergency, International Trucks shall play their part—Defenders all!

INTERNATIONAL HARVESTER COMPANY

180 North Michigan Avenue

Chicago, Illinois

INTERNATIONAL TRUCKS



KANGAROO TECHNIQUE

One reason for the growing popularity of light planes with the Army Air Corps (BW—Oct. 4 '41, p. 45) is the ease with which they can be handled.

The planes are so small a complete set of their wings can be carried in an Army transport plane. Piper Aircraft used this method of transportation (above) to send the Army spare parts from its Lock Haven, Pa., plant.

General are to operate powder-bagging plants at Charleston, Ind., and Flora, Miss., respectively. B. F. Goodrich is constructing a \$35,000,000 bomb- and shell-loading arsenal at Texarkana, Tex., which it will operate. Goodyear Aircraft has plunged into airplane fabrication in addition to its blimp and barrage and observation balloon activities. And Firestone has turned experience gained in turning out automobile rims and other metal products to the business of making machine-gun clips and gun mounts.

Where such defense pursuits will lead is anyone's guess, although Goodyear Aircraft's entry into airplane fabricating is looked upon in Akron as the launching of a new industry with excellent chances of permanently lessening the community's dependence on rubber.

Specific breakdowns showing how the various companies have profited from defense are not available, but on the basis of prime contracts alone Goodyear is figured to have captured a lion's share of the business—almost 50%. Goodrich has got about half as much, and Firestone and U. S. Rubber together have about as much as Goodrich. Only 1% or 2% of prime contracts have gone to the smaller rubber firms outside the Big Four.

• **Synthetic Rubber**—Important in the future outlook for the industry is the stimulus the defense program has given the development and processing of synthetic rubber. By the end of 1942, America's synthetic rubber producing capacity will approximate 75,000 long tons annually, including facilities now under construction by private capital as

well as the four lease-lend plants of the Defense Plant Corp. (each costing \$2,750,000 and each having capacity of 10,000 long tons) which are to be operated by Goodyear, U. S. Rubber, Firestone, and Hycar Chemical Co., the B. F. Goodrich-Phillips Petroleum corporate offspring.

In 1939, U. S. production of synthetic rubber, of the vulcanizable types approximated 1,750 long tons; in 1940, when several new synthetics were introduced, production was about 3,000 tons. Production this year, excluding the "thermolastics," or nonvulcanizable synthetics, will quadruple the 1940 figure, it is estimated.

• **Strict Conservation**—Despite the increase in synthetic output already achieved and in immediate prospect, the bugaboo of a shortage of the natural product has in no sense been liquidated. Hence strict conservation under government direction is here to stay. However, after nearly four months of hewing to OPM's rubber allocation program, many of the dislocations which the industry anticipated have failed to materialize or have proved less severe than had been feared.

The 27% slash in crude consumption for the final six months, as compared to the first half, has brought no wholesale layoffs, although in some of the smaller plants the work week has been shortened from six days to five and from 36 hours to 30 hours. Currently there is evidence that the curtailment program is being softened as the government's defense reserves mount in step with the heavy flow of imports. The

September rubber consumption total of 53,655 long tons indicates that manufacturers received more rubber in that month than originally planned, for the allocation was to have been 50,497 tons for that month.

• **Crude on Hand**—Since July 1, United States stocks of crude rubber on hand have increased 109,567 tons, raising the total as of Oct. 1 to 473,684 tons, including the government stockpile of 236,090 tons. When the 139,784 tons afloat to our shores as of that date are added, the total becomes 613,468 tons—equivalent, at the average rate of consumption during the past three months, to about 10.5 months' supply. Taking into account rubber in finished goods already in stock swells that to about a year's supply.

Not the least of the blessings to the rubber industry from the defense program are the efficiencies obtained in speeding up the turnover of inventories and in standardizing and simplifying the maze of types and sizes of tires. Two years ago some of the major firms had as many as 150 passenger-car tire items, differing as to type, size, tread design, and number of plies. Today a check of recent price lists shows that most firms have cut their lists by 50%, and one firm has only about 65 such items.

In addition to slashing the number of items, most manufacturers have concentrated production on the five or six most popular sizes which together account for 90% of the demand. A major aid in this program has been the swing in recent years to the 6.00-16 size tire for new cars so that today fully half of all sales, original equipment and replacement, are of that size.

• **Weeding Out**—Tire lines, as such, are not being eliminated. Instead the lines have been weeded out to eliminate duplication of sizes. Main production play, however, has been on the first and second, or quality, lines.

The program has only scratched the surface in the truck tire field because of the complexity of service conditions which truck tires must meet. Actually the industry has been hard pressed to keep the number of truck items from climbing. There are truck tires for light trucks as well as those hauling heavy loads; for long sustained hops and stop-and-go service; for high-speed and slow-speed operations; for highway and off-the-road service. There are special casings for the varied soil conditions in farming operations. In such a hodgepodge, the companies can only hope to prevent building and stocking two tires where one will do the job.

As a result, although truck tires represent but about one-sixth of the industry's tire sales total (substantially more, however, in dollar volume) the number of truck tire items now is greater than that for passenger-car casings. Proof of the effectiveness of simplification, divert-



S **TAINLESS STEEL TRAINS SAVE STEEL FOR DEFENSE**

• Today's unprecedented demand for metals finds U. S. railroads, too, with pressing needs. The Defense Program calls for additional transportation for millions of troops and civilians. The railroads need cars—yet more cars mean more steel.

But railroad men have found the answer in their recent experience. The strong, safe, modern trains that Budd builds of stainless steel *actually save steel*, using 40,000 lbs. less per car than conventional equipment.

Budd cars have already traveled more than 300,000,000 miles on American railroads, recording many other savings of particular importance today.

Weighing less, Budd cars release one

out of three locomotives for other service. Needing far less "time out" for maintenance and repair, traveling safely on faster schedules, a Budd car can do the work of three ordinary cars.

In addition, Budd research, constantly striving for improvement, has developed the use of a *new and superior stainless steel*. Utilizing manganese, it saves about half the nickel formerly used!

In every respect, Budd stainless steel cars are the "Economy Cars" of Defense. No others made can produce such great savings in metal, power, time and labor without real sacrifice of strength, safety, long life, maintenance or operating costs.

Their introduction marked a sound, progressive step in railroading. Now, in this present emergency, they prove more important than ever—to railroads, to passengers, to the country's whole Defense effort.

BUDD HELPS ARM
EVERY BRANCH OF THE SERVICE

Bodies for tough Army cars and trucks, bombs and shell cases, stainless steel parts for fighting planes and Navy ships today stream off Budd's production lines. Arming America's defenders is Budd's most urgent business today.

ing more rubber to popular sizes, and speeding up inventory turnover is seen in the continuing high level of tire sales.

Total shipments of truck and passenger-car tires during the first eight months of 1941 totaled 48,395,931 units, an increase of 24.6% over the 1940 period. Replacement sales of 29,045,075 units were up 17.4%. Some trade observers believe the year's replacement total will top the 40,000,000-unit mark, highest since 1929 when replacements totaled 46,726,000 units, including 4,600,000 which today would be grouped in original equipment sales as spare tires for new cars. In 1929, new cars carried no spares. Replacement sales are bound to rise now because with the curtailment of new car production, more and more of the autos on the nation's highways will be in need of new shoes. A 50% cut in new car production may mean a 50% cut in original equipment sales, but since America is likely to ride as much as it ever did, there's not likely to be any diminution of tire consumption.

• **Truck Tire Sales**—Brightest spot of all in the sales picture is the sale of truck tires. Reflecting the tremendous flow of tires to equip the army's trucks and other combat vehicles, sales of these large casings will hit a new peak in 1941. Truck tire sales—including replacements, original equipment, and export units—totaled 7,785,000 at the end of August, 38% above the industry's sales through September last year. Original equipment units for eight months were 70% above the nine months' period last year—with the bulk of the increase being wrapped around the wheels of new army vehicles.

Manufacturers' inventories of tires at the end of August had slumped to 5,834,109 units, the lowest level since July 1, 1932. Even further inroads into that figure, dropping it perhaps below the 5,000,000 mark, occurred during September, it is believed.

• **Bonanza for Akron**—The defense boom, coming on top of the healthiest business conditions which the industry has known since it hit the skids in the depression, has given Akron trade, employment, and payrolls, the most potent shot in the arm in well over a decade. Industrial employment today is estimated at 60,000 persons, up 40% over a year ago. In the six tire and tube plants in the Akron area, employment is up nearly 10,000 over a year ago, and the total figure is skirting the 40,000 mark.

This is still about 1,500 under the December, 1936, level—the peak of the past decade—but payrolls are at record highs because of wage increases won by the Rubber Workers Union (BW—Oct. 4'41,p57). From the four major firms alone, including Goodyear which just approved its first contract with the union, the U.R.W.A. has wrested wage

gains this year believed to approximate \$7,000,000 to \$10,000,000 annually. Mirroring the union's gains during the defense program is the increase in its number of paid-up members from 58,000 in September, 1939, to about 90,000 today. The union estimates that the average annual income for rubber workers was about \$1,637 last year, compared to \$1,415 in 1939, and further substantial improvement is expected this year.

• **Building Boom**—Building construction at Akron is at the highest level since 1930, with nine months' valuation of \$9,500,000 compared to \$5,250,000 for all of 1940. In the city's new construction—which shows the greatest gain in the state—are a dozen or more factory

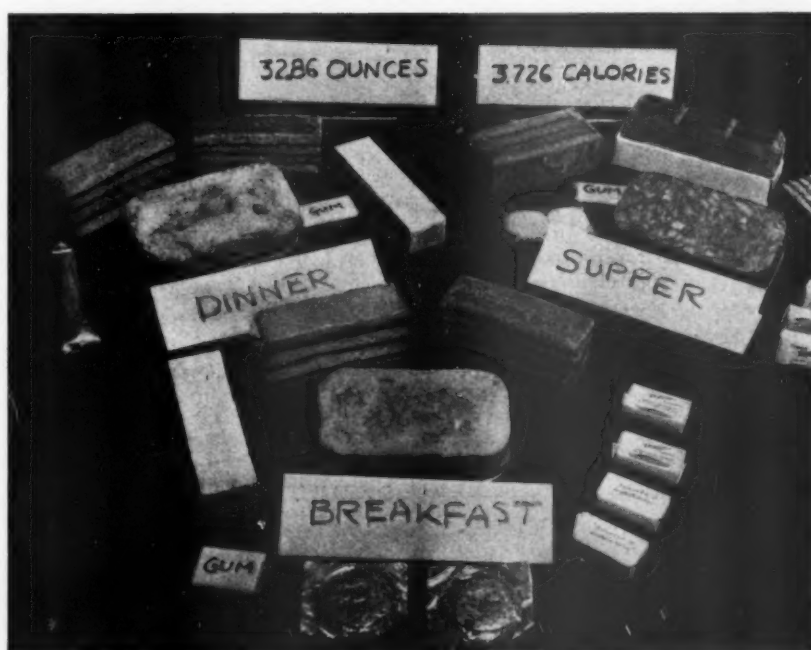
buildings, including expansions by rubber plants. Among these are Goodyear Aircraft Corp.'s giant edifice for fabricating bomber parts; Firestone's factory for anti-aircraft gun mounts; buildings for the production of synthetic rubber, Goodyear's chemigum, Hycar Chemical Co.'s hycar, Firestone's buna-type synthetic; and two Defense Plant Corp. lend-lease synthetic units that are to be built and operated by Goodyear and Firestone.

Further evidence of booming activity in Akron is the increase in the number of telephones in service from 57,601 units two years ago to 73,837 on Oct. 1 making Akron the fastest growing exchange in the state and tops among the nation's cities above 150,000 population.

CONCENTRATED FOOD FOR PARACHUTE TROOPS



The Chicago Quartermaster Depot of the U. S. Army last week started buying the ingredients for an initial batch of 6,000 vest pocket "para-ration" packs, containing one day's food for one man. The food is divided into three meals, and is so concentrated (that's supper matched up against five meat sandwiches, at the left) that it weighs only 32.86 oz., though it supplies 3,726 calories. Ingredients include pemmican and graham biscuits, a modified form of malted milk, soluble coffee, sugar, canned meats, and chewing gum. Developed for parachute troops, the packs are likely to be used eventually by other air units, by mechanized units, and the Navy.



Like money in the Bank

—for Industry



POWER SAVED is money earned. Anti-friction bearings help industry wage constant war on friction.

Companion of friction fighters and power-saving ally of industry is *oil*. Today's "all-out" for defense demands the high quality lubricants and service that Texaco has long been geared to give: quick availability through more than 2300 wholesale supply points throughout the United States; skilled engineering counsel to insure the efficiency, dependability and operating economies inherent in Texaco quality lubricants.

THE TEXAS COMPANY

—in all
48 States



How the Railroads Have Fared in 1941

Aggregate net operating income for all Class I railroads.

	1941	1940	% change
January	\$62,357,404	\$46,012,810	+ 35.5
February	58,478,869	32,856,489	+ 78.0
March	80,627,170	37,034,270	+117.7
April	52,568,880	34,120,523	+ 54.1
May	88,630,030	47,408,236	+ 87.0
June	93,261,372	48,090,785	+ 93.9
July	106,314,792	57,725,166	+ 84.2
August	111,317,825	66,014,798	+ 68.6
Total	\$653,556,342	\$369,263,077	+ 77.0

Gross revenues and net operating incomes of the railroads which reported the largest gross revenues in the first eight months of 1941. (The figures below represent the eight-months totals for 1941 and 1940.)

	1941	1940	% change
Atchison, Topeka & Santa Fe System.....gross	\$142,313,000	\$107,501,000	+ 32.4
net	25,619,000	11,687,000	+119.2
Atlantic Coast Line.....gross	44,818,000	32,812,000	+ 36.0
net	8,372,000	1,001,000	+736.4
Baltimore & Ohio.....gross	145,642,000	114,787,000	+ 26.9
net	32,991,000	17,912,000	+ 84.2
Chesapeake & Ohio.....gross	95,248,000	89,472,000	+ 6.5
net	27,633,000	27,879,000	- 0.9
Chicago, Burlington & Quincy.....gross	74,745,000	61,044,000	+ 22.4
net	12,412,000	4,759,000	+160.8
Chicago, Milwaukee, St. Paul & Pacific.....gross	88,804,000	72,292,000	+ 22.8
net	17,991,000	5,371,000	+234.9
Chicago & North Western.....gross	70,544,000	58,539,000	+ 20.5
net	12,066,000	3,759,000	+221.0
Chicago, Rock Island & Pacific.....gross	63,443,000	52,301,000	+ 21.3
net	12,531,000	3,592,000	+248.9
Delaware, Lackawanna & Western.....gross	39,628,000	34,052,000	+ 16.4
net	7,341,000	3,531,000	+107.9
Erie	68,786,000	54,693,000	+ 25.8
net	14,383,000	7,650,000	+ 88.0
Great Northern.....gross	77,790,000	62,846,000	+ 23.8
net	18,711,000	12,553,000	+ 49.1
Illinois Central System.....gross	89,788,000	72,581,000	+ 23.7
net	17,331,000	7,503,000	+131.0
Louisville & Nashville.....gross	75,828,000	63,875,000	+ 18.7
net	16,413,000	10,613,000	+ 54.6
Missouri Pacific.....gross	70,487,000	55,310,000	+ 27.4
net	14,622,000	4,676,000	+212.7
New York Central.....gross	287,450,000	237,442,000	+ 21.1
net	39,683,000	23,077,000	+ 72.0
New York, Chicago & St. Louis.....gross	38,138,000	29,527,000	+ 29.2
net	9,718,000	4,591,000	+111.7
New York, New Haven & Hartford.....gross	69,477,000	54,346,000	+ 27.8
net	11,116,000	3,706,000	+199.9
Norfolk & Western.....gross	77,856,000	69,146,000	+ 12.6
net	21,446,000	22,046,000	- 2.7
Northern Pacific.....gross	51,903,000	43,303,000	+ 19.9
net	12,453,000	6,853,000	+ 81.7
Pennsylvania	390,059,000	304,502,000	+ 28.1
net	62,488,000	51,357,000	+ 21.7
Reading	51,100,000	40,594,000	+ 25.9
net	10,693,000	8,133,000	+ 31.5
St. Louis-San Francisco.....gross	37,657,000	30,538,000	+ 23.3
net	7,459,000	1,921,000	+288.3
Seaboard Air Line.....gross	41,493,000	31,511,000	+ 31.7
net	6,845,000	2,131,000	+221.2
Southern Pacific.....gross	187,627,000	145,938,000	+ 28.6
net	31,227,000	11,974,000	+160.8
Southern Railway.....gross	88,450,000	67,173,000	+ 31.7
net	20,755,000	11,507,000	+ 80.4
Union Pacific System.....gross	132,472,000	103,654,000	+ 27.8
net	13,335,000	10,309,000	+ 29.4

Data: Association of American Railroads.

Rails Low at High

Roads find revenues best since the 20's, but also find plenty to worry them with the wage issue most pressing.

Railroads are operating close to the top limit of their facilities. Revenues are best since the 20's. Net operating income for the first eight months of 1941 was 77% above the similar 1940 period. And dividends are increasing.

But the railroads aren't happy. In fact, they're so worried that many holders of railroad equities are selling out for little more than their road's anticipated 1941 earnings—sometimes even less.

• **Three Strikes?**—Reasons for the gloom are threefold. First, the heavy debt structure with its huge obligations of fixed charges can't be pared down very speedily. Second, a post-war slump in business would find carriers with new unpaid-for equipment, heavier-than-ever competition from trucks, airplanes, and buses, and a sharp fall-off in loadings. Third, and at the moment most bothersome, railroad unions are demanding wage increases which, for many roads, would transform net income into a deficit.

Increased revenues have been geographically impartial (see the table). Operating revenues of 88 Class I railroads totaled \$396,976,910 in September, an increase of 27.3% over the September, 1940 figure, according to estimates last week by the Association of American Railroads.

• **Climbed the Peak**—Threat of possible government operation seems to be deferred now that the roads have demonstrated their ability to handle the 1941 peak freight and passenger traffic demands. To accomplish this adequate handling, the A.A.R. coordinated routing of cars and sponsored swifter loading, while the Office of Production Management assigned priorities so that materials could be obtained for freight cars, passenger cars, and locomotives (BW—Oct. 18 '41, p. 26).

Lurking in the shadows is ever the fear that most reorganizations won't be completed and that fixed charges won't be sufficiently sliced before post-war readjustment again throttles the steam and electric carriers. For if the various interest groups of these in-trouble carriers can't agree now on settlement plans, they'll be further estranged by declining revenues. And the fecundity of unit-boasts by highway-haulers and airlines augurs that railroads would receive a smaller share of total post-war traffic.

At the same time, the seemingly inevitable wage increases would remain

This man TWIFORD...

Advertising Director
of The Oregonian



Our Mr. Twiford hard at work in his well-equipped farm workshop. Incidentally, Barney is quite a human buzz-saw, himself!



Mrs. Twiford is proud of her vegetable garden — and no wonder!

Barney is one advertising man who practices what he preaches. Each year he raises about 80 tons of squash, which he markets under his own "Beaver-Dam" label.



The OREGONIAN

THE GREAT NEWSPAPER OF THE WEST—Portland, Oregon

"More than a city newspaper; a part of the life of the region"



Barbara Jean, sixteen-year-old daughter of the Twifords, feeds a choice tid-bit to "Betsy", a heifer calf and "Dag", the horse.

to pad costs, making it even harder for the carriers to meet competition.

● **Battle of Estimates**—Hundreds of millions of dollars hang on the settlement of the wage dispute now being studied by the President's Emergency Fact-Finding Board at Chicago. After several weeks of evidence, unions and railroad management this week made their final arguments and rebuttals. The two sides offered sharply divergent estimates of the results that would follow granting of all, or even part, of the demanded wage boost of 30% for operating employees and 30¢ to 35¢ an hour for non-operating employees, approximately 1,300,000 workers in all.

Unions estimate that the wage demands would amount to less than \$775,000,000 a year and that the roads would have a net income of \$900,000,000 on the basis of present operations. Railroad executives testified that the higher wages would come to around \$900,000,000 and that payment of this, on top of higher taxes, and other costs would jeopardize the solvency of many roads.

While it is true that the carriers earned \$682,133,478 last year—a figure, incidentally, that was just about one-third of their total wage and salary bill—J. Carter Fort, chief counsel for the Carriers' Joint Conference Committee, pointed out that 70% of that net income was earned by four railroads and that these comprise only 10% of the total mileage, while 35% of the mileage operated in that year earned insufficient net income to meet fixed charges. F. J. Gavin, president of the Great

Northern Railway Co., estimated that the higher demands would amount to \$19,000,000 for his company in 1941, or nearly double the net income for 1940, best year in the last ten.

● **Arbitration Offer**—Another proposal for quick settlement of the wage issue went glimmering this week when the unions rejected the proposal advanced by the President's Fact-Finding Board that it arbitrate the issue—with its decision to be final. In making this proposal, the board departed from the traditional pattern for handling railroad wage grievances. Normally the board is created by the President after the unions have announced intention to strike. It is required by law to report to the President within 30 days, making its recommendations on the basis of testimony offered on both sides. Another 30-day period must elapse before the workers may strike. During this time the President uses his good offices to urge both parties to accept the Fact-Finding Board's recommendations. This has always been effective in the past.

In seeking this week to short-circuit this procedure and undertake direct arbitration on its own authority, the board took literally the direction contained in the President's letter of instruction to its members urging them "to make every effort to adjust the dispute." Technically the arbitration proposal might have been construed as an extra-legal action. Now, however, that is purely of academic interest, for the Board had said it would act as arbitrator only at the request of both parties

and when the unions gave it the cold shoulder, there was nothing left for it to do but hear the facts and make a report by Nov. 5.

● **No C.O.L. Bonus**—Observers felt that the unions' refusal came from a fear that the Board might recommend in arbitration proceedings a "cost-of-living bonus" plan resembling one proposed last week by railway management (BW—Oct.18'41,p56). George M. Harrison, president of the Brotherhood of Railway and Steamship Clerks, Freight Handlers, and Express and Station Employees, told the Board last Monday that this bonus plan would never be accepted by labor as a means of adjusting wages. Mr. Harrison added that no weight should be given to the possible bankruptcy of a number of railways which might follow a higher wage scale, that "it would be a good thing for the industry if a few more went through the wringer."

Washboard Blues

Laundry owners' biggest headaches are lack of chlorine and equipment. National volume heads for new high.

If soap and water were the only ingredients needed by laundry owners to turn out salable wet wash or deluxe all-finished family service, the industry would be sailing along smoothly in these days of capacity production. Commercial laundries, however, require 3,500 tons of liquid chlorine annually, in the form of sodium hypochlorite, for its stain-removing and bleaching properties. In the dry-cleaning industry, well represented by combination laundry-cleaning firms, 5,000 companies use chlorinated hydrocarbon solvents—trichlorethylene, carbon tetrachloride, etc.—all chlorine derivatives, in fireproof synthetic cleaning systems (BW—Sep. 13'41,p30).

Last week, at the annual convention of the American Institute of Laundering held in Cleveland, laundry owners learned that the chlorine situation, despite press reports to the contrary, was becoming so critical that supplies of synthetic solvents and hypochlorite bleach would not be available in regular commercial channels.

● **One Possibility**—Looking around for substitutes for liquid chlorine, laundry owners have found a good one—almost. The situation is akin to the old gag: "If we had some eggs, we could have ham and eggs, if we had some ham."

From common salt (which laundries buy in quantities for regenerating zeolite water softeners), water, and direct-current electricity, acceptable electrolytic sodium hypochlorite bleach is produced.



MORE ALUMINUM

When it is completed, the new North Plant of the Aluminum Company of America, covering 60 acres at Alcoa, Tenn. (above), will be the largest sheet aluminum rolling mill in the world. It is already turning out sheet aluminum for warplanes, although

clearing timber for the plant only got under way last November. Grading began in December, including moving a hill; steel work started in April; and partial operations in October. Full operations are due shortly after the first of the year. The plant will be able to turn out more than 10,000,000 lb. of aluminum sheet a month.

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"Old Ironsides"—Launched 1797—mother of a mighty fleet! Her precious hull is protected with air conditioning by Carrier, to preserve her as a proud reminder of a glorious tradition . . . A reminder as well that Carrier Air Conditioning and Refrigeration serve the Navy in many other ways . . . stand watch ashore and afloat, in vital places and over precious stores.



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Old-timers can remember when electrolytic bleach systems were to be found in most large laundries. The present-day catch to making bleach from salt is getting electrodes. They can be obtained only by firms with high priority ratings—and the laundry industry hasn't been able to break into the democratic A-10 classification as yet. Moreover, direct-current electric service is no longer available from many central power systems. A surprisingly large number of laundries do generate their own power, however, and cling to direct current despite the general trend to alternating current.

• **Under Control**—Of course, laundry priority troubles don't end with electrodes and chlorine, but the rest are under reasonably satisfactory control, or will be. Most serious is the unavailability of new equipment (BW—Jul.26'41,p16) using strategic materials, notably stainless steel and, naturally, aluminum. However, now that the industry is at least assured of repair and maintenance parts (page 16), it isn't worrying too much about the equipment situation.

Numerous substitutes packed under trade names are being offered the industry to take the place of sodium silico fluoride, now a scarce article, used in neutralizing alkaline water. So no pinch is expected in that department. Wire garment hangers, formerly made of heavy #9 wire, have been slimmed down in successive stages to #11, to

#12, and finally to #14. The next move will be to substitute tubular paper hangers, if paper can be had. Supplies of soap, alkali, and cotton goods are ample.

• **Still Going Up**—Most satisfactory news to owners at the laundry convention was that this year finds the national volume of laundry work pointing sharply upward after an all-time high of \$525,000,000 last year. Although last year's sales are still a long way from the industry's slogan-goal of 1925, "A Billion by 1930," the figures do represent a 100% dollar increase over the dark year of 1933—and show a much greater tonnage increase, since today's selling prices are down about 20%.

As a matter of fact, the present situation is so satisfactory that the industry is not even concerned any longer about the fact that the Army intends to do its own washing (BW—Jun.7'41,p30).

• **Wage-Hour Troubles**—Ordinarily, it is only in the lean years that laundry owners get ideas about adding new departments to boost sagging sales curves. This year, however, the laundry show's exhibits of dry cleaning, rug cleaning, and garment storage equipment were getting serious attention from numerous operators who, until a few months ago, were known to look with disfavor upon the "department store" laundry.

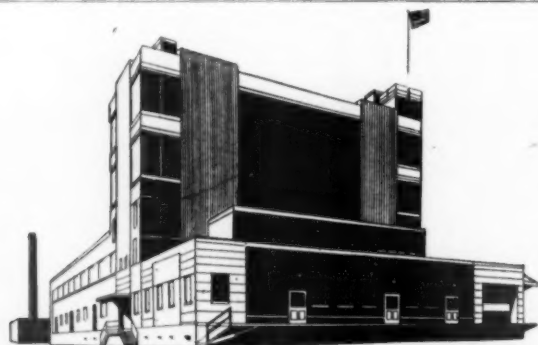
Located near state lines, these owners are faced with a new problem because



Hailed as the first big improvement in garment-pressing equipment since steam presses replaced the tailors' goose, the Airform coat finisher was previewed at the laundry show in Cleveland last week. Coats are slipped over a fabric-covered metal form, steamed and blocked to shape, then dried. Better shoulder-shaping and elimination of under-arm wrinkles are claimed. Steam and hot air for drying are introduced from within the form. Final creasing of sleeves is done on a conventional garment press. U.S. Hoffman Machinery Corp., expects to start production on Airforms soon. The finisher is covered with black celanese rayon—as is now usual on such dry-cleaning equipment. The slickness of celanese permits garments to be slipped on and off presses in half the time required when cotton covers are used; plant operators say increased production far outweighs the extra cost of the celanese.

of the federal Wage-Hour Administrator's recent interpretation of what constitutes a retail establishment. If the dollar volume of commercial work (hotel, restaurant, hospital, linen-supply service, etc.) of a laundry engaged in interstate service exceeds 25%, it is classified as a wholesale establishment and it must pay its employees according to provisions of the federal Wage-Hour Act. Although no legal decisions have yet proven the point, local wage-hour investigators are even warning that local deliveries of linens to railroads, buses, air and steamship lines may be regarded as interstate business.

A few laundries on the wrong side of



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The Kress Company has a tough hauling job. It manufactures cartons, mostly for glass jar and pottery factories in Pennsylvania, Ohio and West Virginia . . . and deliveries are generally from 30 to 150 miles, over mountain roads in the Alleghenies. Most of the year, deliveries continue right around the clock. It's a punishing job for transport equipment.

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About a year ago, the Kress Company bought two 10-ton Fruehauf Trailers . . . and, to pull them, one inexpensive 2½-ton truck. That was the first big saving, because three powerful trucks, costing thousands of dollars more, would have been required to carry the same load capacity!

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So gratifying were the money-saving and improved service that three months later the Kress Company duplicated their order . . . two more Fruehauf Trailers and one inexpensive truck!

There is probably one . . . possibly two, three or more ways . . . in which Truck-Trailers would save you money, too. A Fruehauf engineer will study your operation and give you the facts. Why not send for him . . . today?

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IS MOTOR TRANSPORT helping to win the Battle of Production? An airplane factory in Tennessee, with highly important army contracts, is several miles from a railroad. A motor carrier hauls in all production material and hauls away many completed planes, disassembled and boxed for distant delivery. Thousands of other motor transport operators throughout the country are handling equally essential jobs!

MOTOR TRANSPORT IS ESSENTIAL TO NATIONAL DEFENSE

the 25% fence are deliberately discarding enough commercial business to get into the retail classification. Others hope to obtain the same classification by building up retail sales in a short period of time through new departments catering to retail trade.

• **New Products**—An entirely new approach to the scientific side of washroom practice was presented at the equipment show by Troy Laundry Division of American Machine & Metals, East Moline, Ill. Through newly-developed scientific apparatus which includes a soil analyzer and a turbidimeter (which measures soap and detergent content of rinse waters), Troy chemists contend that a washman can determine the exact amount of supplies and the number of sudsing and rinsing operations necessary for each load during the washing operation and is no longer forced to rely on a set formula for all loads.

Other innovations in Troy's new line of scientific instruments are (1) a textile photoscope for measuring whiteness retention that reads 100 sq. in. of textile surface at a single operation by means of a battery of photoelectric cells, whereas the conventional photoscope reads only one square inch, and (2) a tensile-strength tester, especially designed for testing laundry operations.

Alcohol Rub

Drug and cosmetic people blame OPM for pinch on civilian users of ethyl. Conversion plans leave big gap to fill.

An Associated Press item snapped up by the daily papers early this week points up the severity of the ethyl alcohol shortage, which currently has various ethyl users, particularly the drug and cosmetic industries, on tenterhooks. According to the release, which originated in St. Thomas, Virgin Islands, the U. S. government may convert its rum distilleries in the islands to alcohol production. Washington sources disclaim responsibility for the report, but say, now that the subject has been brought up, it has general official interest.

• **Supply and Demand**—Mathematically, the alcohol pinch figures out about like this. OPM estimates demand for civilian and defense needs at 300,000,000 gal. of ethyl. On the supply side of the ledger it is writing in these entries:

(1) A production of 100,000,000 gal. of alcohol from corn, provided mostly by whisky distillers. This obviously, is a rosy figure, since many estimates of the distilleries' alcohol capacity have added up to 50,000,000 gal., and lower.

(2) A production of 50,000,000 gal. of alcohol from ethyl sulfate.

(3) A production of 58,000,000 gal.

of alcohol from blackstrap molasses. This estimate assumes that the entire Cuban cane sugar crop will be converted into sugar (blackstrap is a by-product of sugar production), and that all available Western Hemisphere supplies of blackstrap will be shipped to the U. S.

• **Sugar Conversion**—Alcohol estimated as forthcoming from these three sources adds up to 208,000,000 gal., which leaves supply 92,000,000 gal. short of OPM's estimated demand. The only way Washington sees to fill the gap is to convert 500,000 tons of sugar into high-test molasses, convert this into the needed 92,000,000 gal. of alky. Trouble is that, aside from Cuban caginess about sugar prices, there's some doubt as to whether that much sugar can be comfortably spared from food uses.

• **OPM Criticized**—Although the Office of Production Management is nominally behind the new program enlisting the whisky industry for alcohol production (BW-Oct.4'41,p20), industry critics say that OPM was asleep when the whisky distillers themselves foresaw the shortage talk, brushed off the whisky men who offered their facilities out of patriotic-public relations motives. OPM's defense needs are protected by priority orders and by an Office of Price Administration price ceiling.

Last spring, OPA's predecessor—the Office of Price Control and Civilian Supply—became concerned about civilian supplies of alcohol, particularly for antifreeze, and requested an OPM survey of the alcohol situation. Leon Henderson first advanced the idea of converting some of the Agriculture Department's surplus corn in whisky plants.

• **Forced to Take Notice**—OPM didn't rouse itself until late summer when a strike occurred at a small plant in Philadelphia—200,000 gallons a month capacity (BW-Sept.13'41,p8). This company had an Army Ordnance contract, and when it couldn't deliver, OPM started looking around for more ethyl, only to find the situation tight. The idea of getting corn from the Agriculture Department and turning it over to the distillers to make up an estimated 50,000,000 gal. shortage was then taken off the shelf. OPM, however, let Army Ordnance carry the ball on this deal, which faced behind-the-scenes opposition from the industrial alcohol interests, who always have sought to protect their field from encroachment by the distillers. Disputes with the Agriculture Department over the price of the corn, controversy with distillers over conversion costs, and ironing out of Alcohol Tax Unit technicalities have delayed the deal for three months.

Although the Army is withholding an official announcement, alky contracts with two distilleries, Seagrams and Brown Foreman, now are reliably believed to be signed.

Floating Stones

At present, the Maritime Commission will order only 15 concrete barges, but program may be expanded if successful.

After receiving bids, the Maritime Commission's plans for building concrete barges to relieve the eastern oil shortage (BW-Sep.13'41,p14) have boiled down to an experimental program of 15 of the ocean-going "floating stones." If successful, the program may be expanded; however, by the time any conclusions as to performance are reached, the eastern oil shortage may be entirely out of the headlines and the whole thing may die quietly.

At any rate, the 15-barge order will be divided among three yards, one on the Atlantic, one on the Pacific, and one on the Gulf Coast. So far, the commission hasn't released the names of the firms which have been selected.

• **Specifications**—Nearly two months ago the Commission asked some 75 contractors to submit proposals for the barges. Specifications called for craft not more than 360 ft. long, with a draft when fully loaded of not more than 28½ ft. Cargo capacity was to be 5,000 to 8,000 tons. Estimates were that such vessels could be constructed at the rate of 20 a month, once production was under way.

Now, it isn't likely that any of the barges will hit the water until next spring, so it will be some time before the Commission finds out whether they will measure up or not. Concrete ship enthusiasts are confident the idea will pan out and hope it leads to a more ambitious program covering construction of regulation cargo-type boats, complete with propulsion equipment. But the Commission has long been opposed to this idea and Chairman Admiral Emory S. Land has expressed his distaste for such an expedient.

• **What They Could Do**—However, when he testified before the Senate committee investigating gasoline and fuel oil shortages, Admiral Land cited figures that make a good case for building the barges. According to his estimates, the average tanker of 14,000 tons cargo capacity, capable of a sustained 13 knots, can deliver approximately 310,000 tons of oil a year from the Gulf Coast to such Atlantic ports as New York or Baltimore. Assuming that the same tanker towed a single barge with a capacity of 7,000 tons, the tanker's speed would be reduced to 10.75 knots, but the combination could deliver 393,000 tons of oil per year—an increase of 27% per tanker. Towing two 7,000-ton barges, the tanker's speed would be reduced to 9 knots, but total annual carry-

ing capacity would be increased to 450,000 tons—an increase of 45%.

In addition, the Admiral estimated that 100 barges would require only 110,000 tons of steel as against 750,000 tons for the Texas-East Coast oil pipeline that was then under consideration. This saving in steel for ship plates adds to the interest in the experiment, for the barges could be used for transporting cargoes other than oil.

Douglas Gasoline

Plane builder's company puts on big drive to establish itself as major factor among smaller California refineries.

For about a year, California has known that Donald Douglas, the aircraft builder, was "getting into gasoline," for a new Douglas refinery was built on an 18-acre site near Los Angeles. But the trade wondered why Douglas was going into the business and how far into it he was really going. Since last July, when the \$1,000,000 refinery went into operation, the answers have become clear.

• **A Major Factor**—Obviously, Douglas Oil & Refining Co. intends to be one of the major factors in the group composed of California's smaller refineries. The plant itself has a daily capacity of 10,000 barrels of crude (between 5,000,000 and 6,000,000 gal. of gasoline a month) and has a storage space for 1,250,000 barrels of crude. The industry regards it as the "last word" in equipment and probably the last refinery to be built by private enterprise for the duration of the national defense program.

When the refinery started producing, its marketing organization also began to function. It held a dinner in Hollywood for 250 service station owners and followed through with a sales campaign directed at consumers with appropriate ballyhoo. Four wholesalers had been signed at the beginning and some 20 more with several hundred retail outlets in Southern California have been added. The effort has been supported by a radio, billboard, and newspaper campaign.

• **Long Interested**—As to how far in the business Douglas himself was going the industry now knows him as chairman of the company's board as well as a financial backer. Besides, he has an interest in gasoline that dates from the early days of 1920, when he built his first "Cloudster" plane in a Los Angeles machine shop and had to tear down the wall to get it outdoors. The plane had been designed to fly non-stop to New York, but the question, "Will it fly?" was one that hinged on the quality of

the gasoline available. The "Cloudster" flew to New York—and ever since Douglas has been interested not only in planes and plane engines, but what makes them go.

• **Retail Competition**—Apart from the defense situation in which more and more demand is backing up behind every service station pump and every refinery and with competitors unable to build more pumps and stills, the normal gasoline market (especially in California) always offers opportunities for a concern like Douglas. Independent service-station owners know the value of a well-advertised brand of gasoline. They tie up with a famous brand, build local trade, and often see a producer-owned station selling the same brand open up nearby. When this happens, they are willing to listen to a proposition from a small refiner who offers a well-advertised brand—just like Douglas.

• **West Coast Only**—For the present, Douglas gasoline is available chiefly around Los Angeles. But in Seattle, Wash., the H. D. Maxwell organization has taken on distribution, and advertising over Washington radio stations blankets the state.

Gas Cuts Offered

Colorado companies seek to end FPC proceedings and to avoid ruling that they are subject to federal regulation.

Last week, Colorado Interstate Gas Co. suddenly offered the city of Denver a \$350,000 yearly cut in householders' natural gas bills. It also offered cuts totaling about \$450,000 to the cities strung along the east face of the Rockies from the Panhandle gas field to Cheyenne, which are supplied by gas pipeline companies—Canadian River, Colorado Interstate, and Colorado-Wyoming—under affiliated ownership.

The proposals interrupted a three-year hearing on the reasonableness of present rates before the Federal Power Commission, which had reached the stage of briefs (BW—Nov. 30 '40, p20). FPC attorneys claimed the companies could cut their charges a total of about \$3,600,000 a year and still make a fair return. Colorado Interstate's share of such a cut was set at \$2,700,000 by the FPC men.

• **Stipulations**—Colorado Interstate stipulated to Denver's Mayor Benjamin F. Stapleton that the rate cuts would be made on these conditions:

That the city's case before the FPC must be dropped.

That the present natural-gas franchise to Public Service Co. of Colorado, retail distributor, which includes the gate rates, must be extended beyond the

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year 1947, its present expiration date.

That all savings must be passed along to domestic consumers.

If the case were dismissed, Colorado Interstate would avoid—besides a possible deep rate cut—a possible ruling that it and its sister companies are public utilities subject to FPC regulation under the Natural Gas Act. They have contended all along that they are not subject to such regulation, and it has been evident that if the case went against them, they would go to the federal courts on this point.

• **Proposed Cut**—The cut proposed was to a flat 30¢ for all domestic gas used in Denver, from a present 40¢ base rate, and 34¢ for furnaces.

The city took no action on the proposal, merely referring it to the FPC.

Quitting the Fields

Supply of farm hands, at lowest point in years, and rise of agricultural wages tell story of defense industry competition.

When need for farm labor climbed to its customary seasonal peak this fall, the shortage, as expected (BW—Jul. 5'41, p29), was everywhere acute. Wages rose to the highest level since 1930 as farmers tried to combat the lure of fancy pay in defense industries, but the supply of harvest hands nevertheless dwindled to the lowest point in years.

Department of Agriculture statistics as of Oct. 1, just now available, point these facts up vividly. The country's average wage (without board) by that date had risen to \$45.47 a month compared with \$36.61 at the start of 1941 and \$36.84 at the same time in 1940.

The average monthly wage without board on Oct. 1 compared with the same date a year earlier lines up as follows:

New England, \$72.12 against \$58.43; Mid-Atlantic, \$57.75 against \$47.35; East North Central, \$53.75 against \$42.95; West North Central, \$50.23 against \$40.42; South Atlantic, \$30.84 against \$25.27; East South Central, \$27.83 against \$23.08; West South Central, \$35.24 against \$28.78; Mountain, \$64.01 against \$52.89; and Pacific, \$85.19 against \$67.83.

The total farm labor supply on Oct. 1 was down to 64% of normal (1923-25 = 100) compared with 85.6% a year earlier and 90.4% two years ago. Demand, on the other hand, rose to the highest figure in many years, totaling 96.2% against 88.1% a year earlier and 83.4% two years ago. The supply-demand ratio (which gives effect to the shrinkage in supply concurrent with the rise in demand) has fallen to 66.8% compared with 97.2% on Oct. 1, 1940, and 108.4% two years ago.

Defense Business Checklist

• **Adjustable Ceiling**—Virtually all major types of cotton goods made of carded yarn—from coarse bagging and tough work-clothing denims to the fine-count broadcloths—have been brought under price ceilings automatically adjustable to the price of "spot" raw cotton. OPA's new price schedule, entitled "No. 35—Carded Grey and Colored-Yarn Cotton Goods", went into effect on Oct. 21. It covers 13 leading types of cloth made from carded yarn. Five of these have been transferred from Price Schedule No. 11, the original grey goods schedule, while the other eight are placed under maximum prices for the first time.

Principal types of "fine goods" made of combed yarn, which are higher quality than carded yarn goods, will continue to be covered by Price Schedule No. 11. As soon as current studies of certain "fine goods" constructions are completed, this schedule and Price Schedule No. 7—Combed Cotton Yarn—also will be revised to tie in ceiling prices with cotton prices. Approximately two-thirds of all primary cotton textiles manufactured in the United States are now under OPA price schedules. Not yet included, but currently under investigation, are wide sheetings, wide drills, wide print cloths, and tickings. Future studies will take in napped fabrics and towelings, and prices of the various grades of duck and tire fabrics are being watched closely.

• **Chlorinated-Solvent Control**—Acting on advice from the Department of Agriculture to the effect that the nation's food supply was facing a serious threat as a result of shortages of certain chemicals used by farmers and food warehouses for fumigation purposes, Priorities Director Nelson has placed all stocks of chlorinated solvents under rigid control. These are defined in the order as carbon tetrachloride, trichlorethylene, perchlorethylene, and ethylene dichloride. Preference Rating Order M-41 assigns a priority rating of A-10 to all defense orders for these solvents that have not been granted a higher rating and sets up a ladder of uses with respect to the supply of these chemicals after defense requirements have been met. After making provision for deliveries to fill defense orders, a producer is required by the order to set aside, for an emergency pool, 5% of each chlorinated hydrocarbon solvent produced by him each month or 20% of the quantities, in excess of requirements for defense orders, manufactured during the month—whichever amount is smaller. Uses for which a rating of B-2 is assigned include charging of fire extinguishers; grain fumigation; manufacture of refrigerants; processing and manufacturing of food, chemicals, rubber, and petroleum, where substitution of other materials is impractical, and for certain other listed uses. A B-8 rating is assigned to a

group of other civilian uses, including dry-cleaning (page 28); and fumigation other than grain fumigation.

• **Zinc Amendment**—Zinc scrap and secondary slab zinc prices are adjusted upward, all scrap prices are placed on a shipping-point basis, and premiums are established for scrap shipments in quantity in an amendment to Price Schedule No. 3 announced by Price Administrator Henderson. Increases in the scrap and secondary metal ceilings reflect the advance from 7.25¢ to 8.25¢ a lb. in the price of primary zinc permitted by OPA in order to stimulate production.

• **January Auto Production**—Passenger automobile production in January, 1942, will be curtailed at least 51% below last January's output, but the chances are that material shortages will intervene to prevent the industry from producing the maximum of 204,848 cars which the program permits. In announcing the curtailment order, Civilian Supply Director Leon Henderson emphasized that OPM was not fixing production quotas for January, but merely fixing a maximum limit, provided manufacturers are successful in obtaining sufficient materials. Under the January program, General Motors, Ford, and Chrysler will have their production cut an average of 55.1% below January, 1941, levels. Studebaker, Hudson, Nash, Packard, Willys-Overland, and Crosley will be permitted an overall 8.1% increase over last year's levels, largely as a result of seasonal fluctuations.

• **P. S.**—OPM's Priorities Division has announced the first of a series of industrial and regional priorities clinics. Pulp and paper producers will meet in Washington Oct. 24 and electrical manufacturers will meet on Oct. 31 for a discussion of problems affecting their industries. Regional meetings are scheduled for Minneapolis, on Nov. 3; Cincinnati, Nov. 5; Indianapolis, Nov. 6; Rochester, Nov. 11; East Orange, N. J., Nov. 14; and at Pittsburgh, Nov. 18. . . . Field offices of OPM's Contract Distribution Division have been opened in two additional cities. The offices and their addresses are: Wheeling, W. Va.—1025 Main St., Hawley Building; and Worcester, Mass.—State Mutual Bldg., 340 Main St. This brings the total number of CDD field offices to 53. . . . An additional defense contract for 1,028 one-ton cargo trailers, to cost \$225,000, has been placed in the Kenosha-Racine area following certification of the area to the War Department by OPM as being faced with priorities disemployment. . . . At OPM's request, the Canadian government has agreed to prohibit the export of peat to this country except on U. S. government order. Substantially all Canadian output is needed for the production of magnesium in this country.

FAST CUTTING of metal parts with this Disston Circular Saw helps America speed the production of bombers and transports.



Photographs courtesy of Douglas Aircraft Co., Inc., Santa Monica, Calif.

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Mass production in the aircraft industry requires exceptionally good saws, files and other tools...They must work fast. They must take the punishment of long runs at high speeds. Above all, they must cut accurately, within close tolerances.

For *swift, precise* cutting and shaping of the many metals, woods, plastics and other materials that go into modern airplanes . . . engineers are specifying—

more and more—Disston saws, files, tool bits and tool steels.

The men who build fighting planes and trainers, transports and private craft . . . men who know tools best . . . insist on Disston.

In fact, in practically every industry, efficient Disston tools are helping American workmen win the battle of production.

Have you a production problem? Put it up to a Disston engineer. His knowledge of how to get the most work from saws, files and other tools can save you dollars and days. Write today to Henry Disston & Sons, Inc., Philadelphia, Pa., U. S. A.



Amplicall HELPS KEEP 'EM FLYING!



AMPLICALL—the split-second Communication System—plays a big “speed-up” role in the System Aircraft plant at Wichita, Kansas. You can’t afford to waste time when your job is to get into the air for Uncle Sam in a hurry. Speed is crucial—and that’s why Cassna uses AMPLICALL to provide instant, finger-tip control of CALL to communication throughout its offices. Mr. A. L. Varmillion, Comptroller, is shown at an AMPLICALL Master Unit. Installation made by Radiolab of Wichita, Kansas.

Amplicall COMMUNICATION WILL KEEP YOUR BUSINESS “FLYING”

AMPLICALL helps “Keep ‘em Flying”—not only in America’s National Defense, but also in the defense of thousands of American businesses. Your own business can use AMPLICALL. It’s the big new efficiency tool that speeds up your plant and office routine. It’s the streamlined inter-communication system that puts every department of your business in instant, easy talking reach.

AMPLICALL saves time, saves steps, saves money; coordinates operations; gets ideas and orders into action in split-seconds; reduces errors and fatigue; boosts efficiency; relieves busy switchboards—helps get things done fast—yet pays its own way every day.

Your business needs AMPLICALL—the time-saving, money-saving communication system. Write today for the AMPLICALL facts.

AN AMPLICALL SYSTEM FOR EVERY NEED



AMPLICALL can serve you—save you time, energy, money. No matter what your business or communication needs may be, there is an AMPLICALL System for you. Return the coupon below for full details on how you can use AMPLICALL—choice of thousands of American businesses—to save your business time and money.

THE RAULAND CORP.

WEBSTER—CHICAGO SOUND DIVISION
4245 No. Knox Ave.
Chicago, Illinois, Dept. O-1

☐ Send us full information covering AMPLICALL
Intercommunication Systems.

Name _____

Address _____

City _____ State _____

MARKETING

New Chicago Daily

Marshall Field’s slowly crystallizing plans reveal that he is determined to create real competitor for the Tribune.

Chicago’s Loop for months buzzed with talk that Marshall Field, who has angled New York’s PM to several gallons of red ink since its founding last year, was going to start a new morning daily to fight Col. Robert R. McCormick’s Chicago Tribune and its truculent anti-Administration, anti-intervention handling of the news.

La Salle Street saw a portent when word trickled out that rich Mr. Field was making plans to sell several million dollars worth of his stock in Marshall Field & Co., founded by his merchant grandfather. A few millions in cash would come in handy for a battle with the Trib, which had chased all competition out of the Chicago morning paper field and monopolized the newsstands since Hearst’s Herald and Examiner folded in 1939 during its Guild strike.

• **Names on a Door**—First concrete evidence of the impending paper shortly followed the stock-sale plans. The door of Room 1260 in the Field Building, a modest suite, sprouted the names of Marshall Field and Silliman Evans. There could be only one purpose in their association. Evans is publisher of the Nashville Tennessean, which under his management has backed every Roosevelt move since he bought the paper on credit from the Reconstruction Finance Corp. in 1937. For evidence that they mean business and no fooling, it has only been necessary to watch their skeleton organization expand. The names recently lettered on the entrance doors of disconnected suites belong to notably able newspaper people. Editor will be Rex Smith, from Newsweek; managing editor will be George A. DeWitt, from the Washington Times-Herald. Jack Stenbuck of the Boston American has been named circulation director. Hiram G. Schuster leaves Look to become local advertising manager.

Although most of the upper-crust jobs are being filled from other cities, the department heads coming directly in contact with advertisers, news sources, and circulation outlets are mainly Chicagoans, with a predominant flavor of Hearst alumni from the Herald-American.

• **Syndicated Features**—Several top-flight syndicated features have been contracted for (Walter Winchell and Dorothy Thompson are reportedly in the bag

and Westbrook Pegler on the hook), and the New York Herald-Tribune wire service from New York and Washington has been taken over from the Chicago Journal of Commerce. U.P. service is signed up; A.P. service is still dubious because the only spare morning franchise in town belongs to Hearst, who some day might wish to re-enter the fray and is not friendly to the Evans-Field aspirations.

The enterprise is still unnamed, and telephone callers to ANDover 5656 are greeted, “Good morning, new morning newspaper.” A contest to name the sheet, with \$10,000 in prizes, is scheduled for public announcement this week. As an antidote for the Tribune’s grandiloquent slogan, “The World’s Greatest Newspaper,” Field devised the phrase, “An Honest Newspaper.”

• **Space in News Building**—Field and Evans last week announced that they have rented office space in the Daily News Building, and that the News will print their paper. The News has for decades been the Trib’s most successful afternoon competitor, but feeling has reached fever pitch since McCormick began accusing its publisher, Col. Frank Knox, of selling out to the interventionists and New Dealers by becoming Secretary of the Navy.

Last weekend, the incipient paper’s Assistant-to-the-Publisher Frank W. Taylor (ex-St. Louis Star-Times) was elbow-deep in planning the new floor space assignments so that the working departments could begin signing up readers and advertisers. Vol. 1, No. 1 is scheduled to appear late in November.

The publisher disclaims having decided such major points as price per copy and whether to put out a Sunday edition. At a dinner given by Field and Evans to Chicago bigshots last week, they disclosed no more than had already been printed publicly.

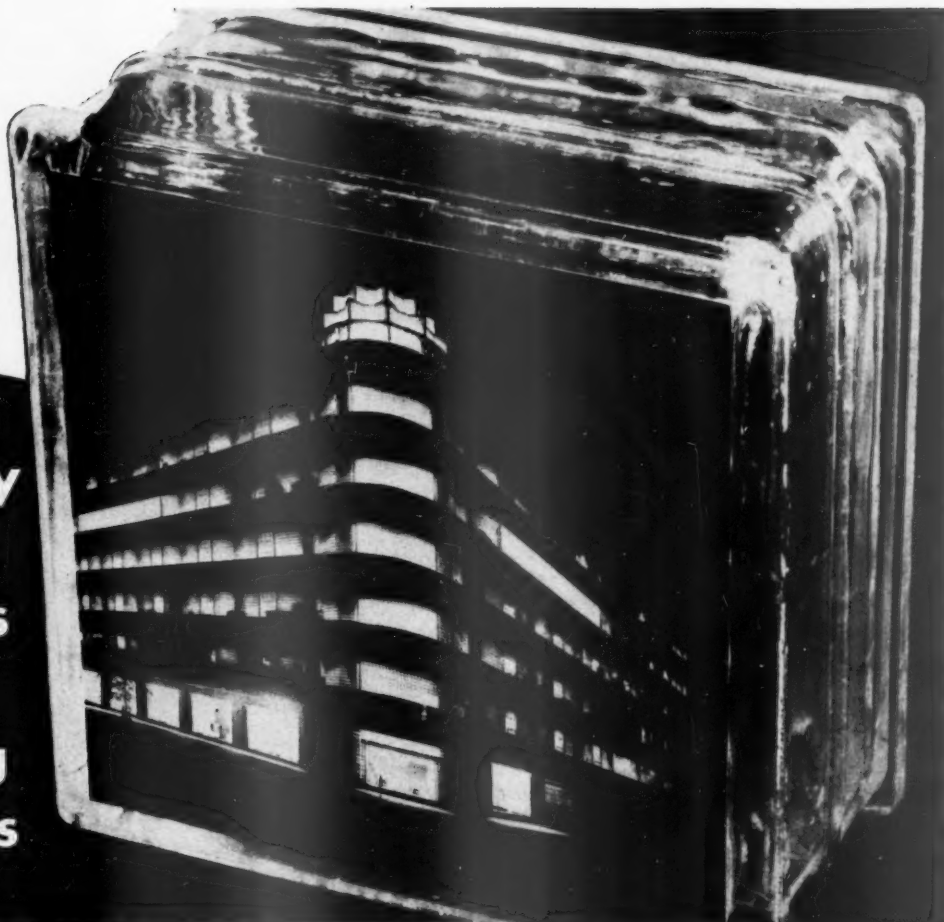
• **Rumors**—Consequence of their close-mouthed policy is that all manner of rumors circulate without verification.

Rumor No. 1: That last week Executive Vice President Hughston McBain of Marshall Field & Co. (biggest Chicago newspaper advertiser, of which wealthy Mr. Marshall Field is largest stockholder—around 18%) notified his advertising department to “continue buying advertising as before, where it will do us the most good.”

Rumor No. 2: That when Angel Field really gets to shelling out for his Chicago paper, he will cut off New York’s money-losing PM with a shilling.

Unquestioned fact: Whether or not the boys make the new paper succeed, Col. McCormick and his Tribune will not find their team a pushover.

Curiosity is good business for building products



The chances are the men who built this department store were curious about the products that went into it.

Chances are the engineers and architects wanted facts on the appearance and durability of the materials used.

And that the owner's engineers had to be told of maintenance and operation factors before they approved purchases.

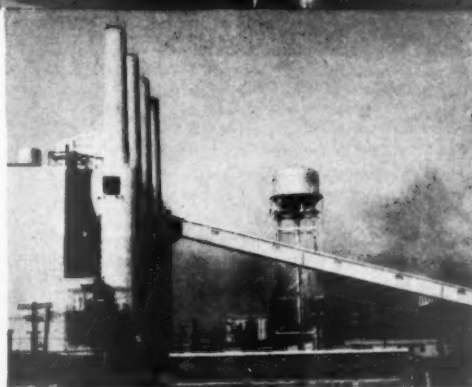
And that the contractor wanted facts on application, speed of placing and handling, sizes, and ranges of types of materials.

All this *why* and *how* curiosity on the part of building men has much to do with selling products for all types of engineered building — commercial, public and industrial. In many cases it's the *deciding* factor.

We've found (through interviews with our readers) that engineers and contractors want facts that help them *build* better, information that helps them *buy* better!

Which is reason Number One why they regularly read Engineering News-Record and Construction Methods!

Reports of interviews telling what construction men want to know about building products are available on request. Write to A. E. Paxton, Manager.



The above picture shows part of the \$86,000,000 powder plant at Charlestown, Ind. The plant was designed and built by duPont, whose engineers wrote specifications and bought materials. H. B. Eaton* was in general charge of design and construction. G. P. Church* was general construction superintendent. Specifying and buying influences in this firm are covered by paid subscribers as follows: ENR-112; CM-89.

*Paid subscribers of ENR and/or CM.

ENGINEERING NEWS-RECORD ★ CONSTRUCTION METHODS

McGRAW-HILL PUBLICATIONS • McGRAW-HILL BUILDING, NEW YORK

ARMY CAMPS • AIRPORTS • SHIPWAYS • DOCKS • AIR BASES • HOTELS • WATERWORKS • OFFICE BUILDINGS • BRIDGES • DAMS
SHIPYARDS • TUNNELS • NAVAL BASES • HIGHWAYS • MASS HOUSING • WATERWAYS • SEWAGE DISPOSAL
PIPE LINES • DRAINAGE • ARSENALS • FACTORIES



"JUST WHAT WE'VE
BEEN LOOKING FOR!"



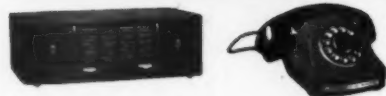
Now, for the first time, you can

RENT

PRIVATE AUTOMATIC TELEPHONE
AND MAN-FINDING SERVICE!

*A few dollars weekly
rents a sizable system*

SELECT - O - PHONE



Loud- and Private Speaking
Executive Station. To make Staff Station. Made in
a call just touch a name. Both desk and wall types.

The **COMPLETE** system: For 25 years
the choice of discriminating manufac-
turers, offices, institutions.

5 to 55 lines

If you want to test the benefits of a separate
automatic interior telephone system, use
our new Rental Plan. Learn how Select-O-
Phone automatic service (free of operator)
increases executive accomplishment and
control, speeds tempo of work throughout
your entire organization, protects against
customer telephone delays. A few dollars
weekly rents a sizeable system. Send cou-
pon for data.

Select-O-Phone offers:

Automatic calling,
without operator,
24 hours daily.

Paging, from any
station, establishes
conversation with
moving individuals
promptly.

Secret Conference
among any number
of persons; rest of
system remains
open for use.

100% Trunkage,
unlimited number
of simultaneous
calls.

CAN ALSO BE PURCHASED

SELECT-O-PHONE COMPANY

1003 Eddy St., Providence, R. I.



For illustrated book and
rental rates, write your
name, firm and address
on the margin below and
mail this coupon to Select-
O-Phone Company.

SEND FOR IT!

Vitamin Restraint

Defense nutrition program
takes form as committee makes
it plain that the goal will not
be wholesale fortification.

Defense nutrition efforts have given
rise to numerous wild rumors in recent
months. Over-enthusiastic nutritionists,
with official or semiofficial Washington
connections, have talked of everything
from a "national defense nutrition food"
—a fifty-fifty blend of sugar and dried
skim milk to replace ordinary cane and
beet sugar—to the vitamin fortification
of candy and soft drinks. Certain seg-
ments of the food industry have antici-
pated opportunities to cash in on forti-
fication of vitamin-deficient products.

Now the Food and Nutrition Com-
mittee of the National Research Coun-
cil has spiked all such rumors with a
formal resolution stating that its offi-
cial blessing will be limited, for the
present, to the fortification, enrich-
ment, or restoration of foods already in-
cluded in the nutrition program—bread,
flour, margarine, and salt. Since the
committee is a quasi-governmental
agency which provides the scientific ad-
vice for Federal Security Administrator
Paul V. McNutt's defense nutrition

organization, the resolution means
business.

• **Program Emerges**—Specifically, it
gives definite form to the idea which emerged
from the National Nutrition Confer-
ence (BW—Jun. 7'41, p18) last spring
that the nutrition program should be
directed at promoting natural vitamin-
rich foods rather than at wholesale
fortification of everything in sight.
Moreover, it marks the committee's
effort to lay down a long-range forti-
fication program.

The resolution also will provide
for the Food & Drug Administration
its efforts to clamp down on the
fortification of standardized food prod-
ucts. Since a standard appropriates the
common name of a food product and
provides that no product bearing this
name can be made outside the limitations
of the standard, it is not possible to
add vitamins or minerals to a standard
food unless the standard specifically
provides for this.

• **Ammunition**—In the past, it has
been possible for segments of the food in-
dustry to force fortification into food
standards by appearing at the prelimi-
nary hearings with substantial testimony
in its favor. Now FDA has the Food &
Nutrition Committee's resolution as
evidence on which to exclude forti-
fication when promulgating a food stan-
dard.

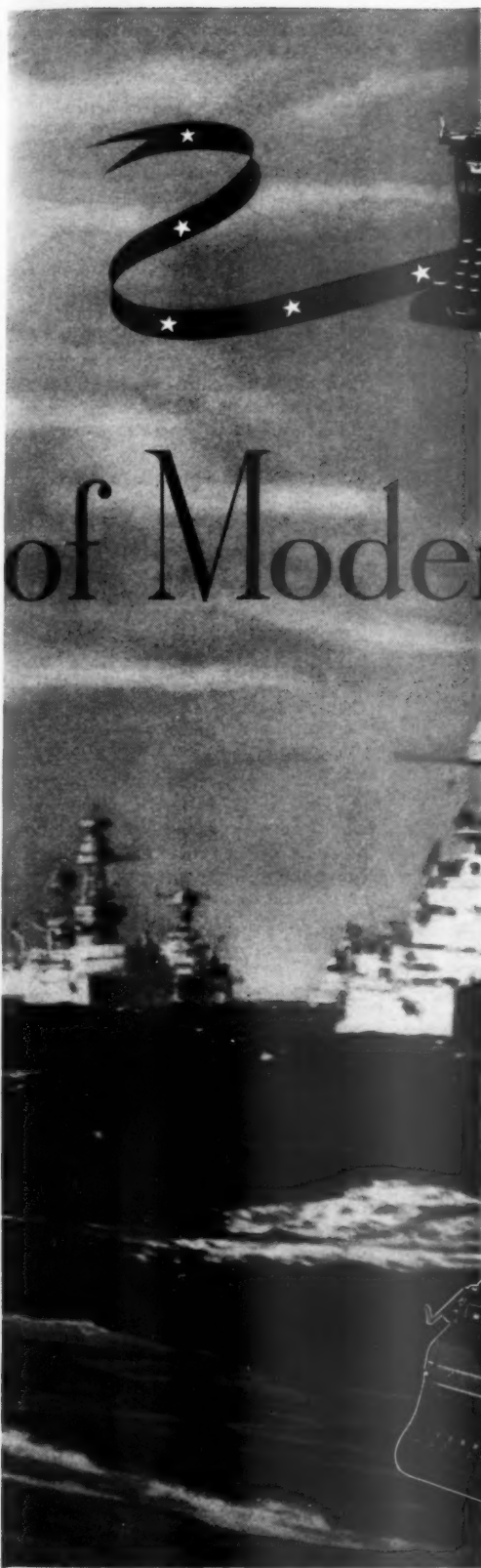
Validity of the committee's resolution
as "substantial evidence" against for-



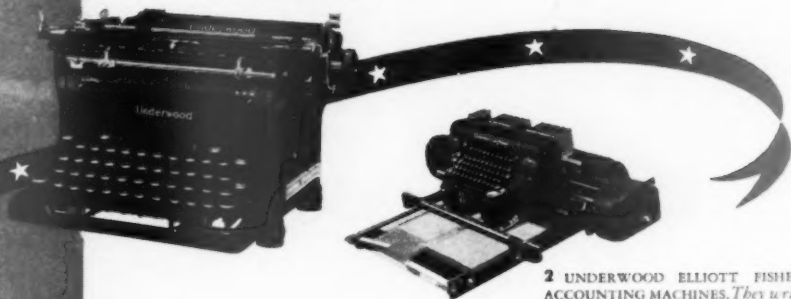
JEWELERS IN WASHINGTON

Representatives of New England's
jewelry manufacturing industry con-
ferred with priorities chiefs in Wash-
ington last week in an effort to obtain
enough metals to prevent a shutdown
of their plants. Left to right: Donald
M. Nelson, director of OPM's Priori-

ties Division; Floyd Odum, director
of the Contract Distribution Division;
Frederick A. Ballou, Jr., president of
the New England Manufacturing Jew-
elers and Silversmiths Association;
Vice-President Henry A. Waller;
United States Senator Theodore
Green of Rhode Island; and Governor
J. Howard McGrath.



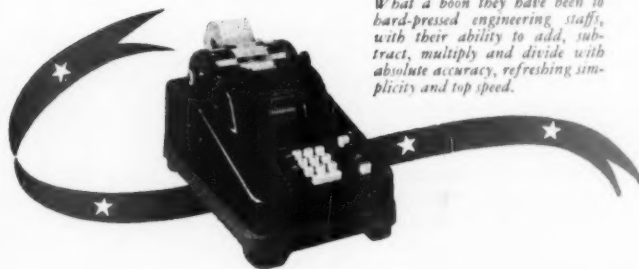
1 UNDERWOOD TYPEWRITERS. From the world's largest typewriter factory have come thousands of Underwoods to type a new language of ships and guns and planes and tanks.



2 UNDERWOOD ELLIOTT FISHER ACCOUNTING MACHINES. They write defense orders, render defense bills, control production and handle new millions in defense pay rolls, creating, without an extra operation, all the records required by Federal and State Governments.

of Modern Business

3 UNDERWOOD SUNSTRAND ADDING-FIGURING MACHINES. What a boon they have been to hard-pressed engineering staffs, with their ability to add, subtract, multiply and divide with absolute accuracy, refreshing simplicity and top speed.



4 UNDERWOOD PORTABLE TYPEWRITERS. Executives engaged in defense production have made this personal writing machine almost as regular a companion on their travels as a toothbrush. No one knows the hours Underwood Portables have saved by typing vital reports en route, in hotel rooms and in the field.



From the moment America was roused into her great drive toward Preparedness, a single word has expressed the doubts, the fears and the hopes of the world... **TIME!**

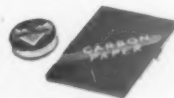
Time was the one thing beyond America's creative reach. America could not buy, borrow or produce Time. Time could only be saved!

And among the answers to the national problem were thousands of Underwood Elliott Fisher Machines for Government Departments and bustling defense plants... typewriters, adding-figuring machines and accounting machines in infinite variety.

Time was the net of all the advantages these Underwood Elliott Fisher Machines had to offer. Time was the basis upon which Industry had used them through the years. Today, Time is their great contribution to National Defense!

UNDERWOOD ELLIOTT FISHER COMPANY
One Park Avenue, New York, N. Y. Sales and Service Everywhere

5 UNDERWOOD ELLIOTT FISHER RIBBONS, CARBON PAPERS, ETC. The logical "ammunition" to use on all Underwood Elliott Fisher Machines.



Copyright 1941, Underwood Elliott Fisher Company

Elliott Fisher — Speeds the Nation's Defense

Business Week • October 25, 1941



**How a girl can be
two places at once!**



● How many times have you wished that your secretary could be two places at once? When she's typing or filing, you have to ring to give her more dictation. Her work sits on her desk while she sits by yours. Your orders, memos, letters have to wait until she's free to type them...

● What's more, while she's busy taking your dictation, she can't be free to protect you from interruptions. Every time the phone rings or a visitor calls, you're both held up. No need to tell you how time-wasting that can be...



● Because when she's away from her desk, there's no chance for her to complete your typing, and the flow of work throughout your entire organization is slowed down... Wouldn't it be grand if there were only some way she could be two places at once?



● There is! It's the Dictaphone way—a method that enables you to dictate while your secretary types and does other work for you. With Dictaphone, you don't have to wait for her, nor she for you. You both can accomplish twice as much. Try this modern dictating machine. See how it helps you get things done.



Time counts more than ever today. Thousands of busy executives are already letting Dictaphone speed their work. Try it yourself. No obligation. Just mail the coupon.

DICTAPHONE

DICTAPHONE CORPORATION, 420 Lexington Ave., N. Y. C.
In Canada: Dictaphone Corp. Ltd., 86 Richmond St., W., Toronto

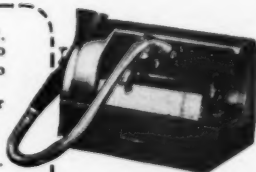
☐ Please send me free copy of "Business Expects Every Man To Do His Duty."

☐ I should like to try Dictaphone in my own office without cost or obligation.

Name

Company

Address



The word DICTAPHONE is the Registered Trade-Mark of Dictaphone Corporation, Makers of Dictating Machines and Accessories to which said Trade-Mark is Applied.

fication probably will be tested during the hearings on standards for alimentary paste products, scheduled to begin Nov. 3. Some members of the macaroni and spaghetti industries have indicated they will campaign for fortification.

● **About-Face**—The resolution represents somewhat of an about-face for the Food and Nutrition Committee. Last spring, the committee was actively looking into the possibilities of fortifying sugar and other products (BW—Apr. 26 '41, p. 17). Furthermore, a rapprochement between the committee and FDA seems to be indicated. Lately the two groups have been at loggerheads over FDA's efforts to classify all vitamin and mineral-enriched foods, and all foods naturally rich in vitamins and minerals, as special dietary products, subject to stringent labeling control. On the antifortification resolution, they again see eye-to-eye.

Credit-Booster

As time sales falter, catalog house gives shot in arm by freezing prices till '42. Industry's cash sales soar.

Spiegel, Inc., is the mail order industry's No. 3 firm in volume (about \$55,000,000 in 1940). But it is unique among the larger houses in selling almost exclusively on terms. By reason of this policy, it has currently been taking an unexpected whaling.

Tip-off to a crisis in mail credit selling was Spiegel's announcement the other day that it was mailing to its 2,000,000 catalog holders an ironclad guaranty until Jan. 1, 1942, against any price increase above the prices listed in its current fall-winter catalog. Since the type had been set in June, and the book mailed in mid-July, this was a sizable commitment for such a merchandising unit to make in a period of soaring prices. Also, a mailing of 2,000,000 two-color circulars runs up into important money in anybody's budget.

● **September Figure**—The reason for this action became clear with the publication of September sales figures. Where Sears, Roebuck & Co. and Montgomery Ward & Co., each doing one-third of its total business on time terms, showed respective increases of 30.6% and 30% over September 1940, Spiegel squeaked through with a measly 2% gain. Not published was the generally accepted information in the industry that Spiegel had an actual loss in volume during the first half of September, made a good recovery in the second half to achieve the 2% increase for the month.

Sears and Ward executives, always secretive about break-downs of their figures, admit that their houses' credit business followed a late summer pattern

not unlike Spiegel's. This would mean that each of the top pair boosted its cash sales by close to 50% in September. This curtailment of credit sales and tremendous expansion in cash sales has worked wonders in the cash position of the big houses. For instance Ward, normally a heavy bank borrower at this time of year to build Christmas stocks and carry the volume of receivables that swells as cool-weather sales pile up, has so reduced this need that the indications are there will be no bank loans payable on its balance sheet at the year's end.

• **Customers Read Headlines**—Spiegel's predicament arose because altogether too many of its customers—like those of practically every time seller in the United States—read the newspaper headlines about the recent Federal Reserve Board restrictions on consumer credit, and thereupon concluded that to buy on credit had become next to impossible.

Retailers who sized up this situation in their communities got busy clearing away misconceptions with advertising and with face-to-face explanations. Sears and Ward used stuffers in mail and store-delivery packages to tell their customers that the new federal restrictions were no stricter than their own announced credit terms.

• **Spiegel's Problem**—But Spiegel, almost solely dependent upon credit customers, found things peculiarly tough. Its sales were falling far short of advance forecasts and merchandise commitments. Hence, besides explaining to scared-off customers that it could and would extend credit just as always, Spiegel's mailed-out announcement angled for an increased share of their total purchases by promising to maintain catalog prices unchanged to January 1, 1942. This promise is feasible because sales from this book have failed to keep up with expectations—and commitments. The firm's warehouses are piled to the ceiling with most kinds of merchandise, at July costs. The extra cost of replacing the relatively few items that are in short supply should be far less than the potential losses if incoming orders had been permitted to continue at the prevailing trickle.

• **Escape Clauses**—Sears and Ward, with sales outstripping their most optimistic predictions, are having to boost prices a nickel here and a few cents there on shipments to customers, to compensate for higher costs in replacing stocks. Both big houses covered this contingency with escape clauses in their most recent catalogs (BW—Jul. 19'41, p. 40). Catalog buyers, recognizing higher prices as universal, have been accepting these boosts without much protest.

But it is a safe bet that Spiegel will now get plenty of business from other catalog houses' regular customers as well as from its own, on its compelling new slogan, "The Price We Print Is the Price You Pay!"



Housewifely arithmetic, 1941:

$$\Rightarrow \frac{\text{FOOD VALUE}}{\text{price}} = \text{worth}$$

Prime lesson for food executives in this Year of Grace is the simple equation above. How do your products fare in this daily appraisal?

There's no getting around it: **VALUE** today is the buying yardstick in food stores the country over. Food value weighted by price equals net worth to the consumer—an all-important buying decision your products must win, to stay in the black.

One sound and timely way to build sales-winning value into a food product is the vitamin "enrichment" route—now more than ever an important way to influence the buyer's decision. Consider it well, ere your competition does it for you! And for specialized help in the use of oil-soluble vitamins, come straight to "headquarters"—Distillation Products, Inc.

Vitamin A, for instance, is recognized as one of the essential protectives people must have for a balanced diet, for robust health. Some foods have it—others lose it, or part of it, in processing... or experience a seasonal slump in Vitamin A content. Perhaps a product of yours fits one of these categories? Well—shoot a query to D.P.I. We produce those incomparable Vitamin A Esters you may have heard about—Distilled Vitamin A in the Natural Ester Form*. It's a concen-

trate so bland, so stable, so uniform and biologically valuable that it is literally unique—in a class by itself. It is in fact the reason why D.P.I. has become, in just three years' time, one of the world's largest producers of Vitamin A concentrates.

Vitamin D, "the sunshine vitamin," is another nutritional and promotional gem. Perhaps the scarcest of all vitamins in food, it is also one of the best-known vitamins consumer-wise, is a logical candidate for addition to many foods. We can supply a highly potent concentrate produced by electronic activation of ergosterol—ARPI Process Vitamin D—in a potency and form best suited to your product's need—and at an attractively low figure.

D.P.I.'s efficient Service Laboratory is at your call for consultation, advice, technical help, etc. The benefits of a remarkable backlog of experience in serving a long list of food and pharmaceutical customers are not the least of the reasons why it will pay you to come to "Oil-Soluble-Vitamin Headquarters."

So for specialized help in building extra nutritional and sales value into food products (remember that housewifely equation!), write soon to . . .



*Protected by U.S. product patent No. 2,205,925 and over 50 process patents.

DISTILLATION PRODUCTS, INC.

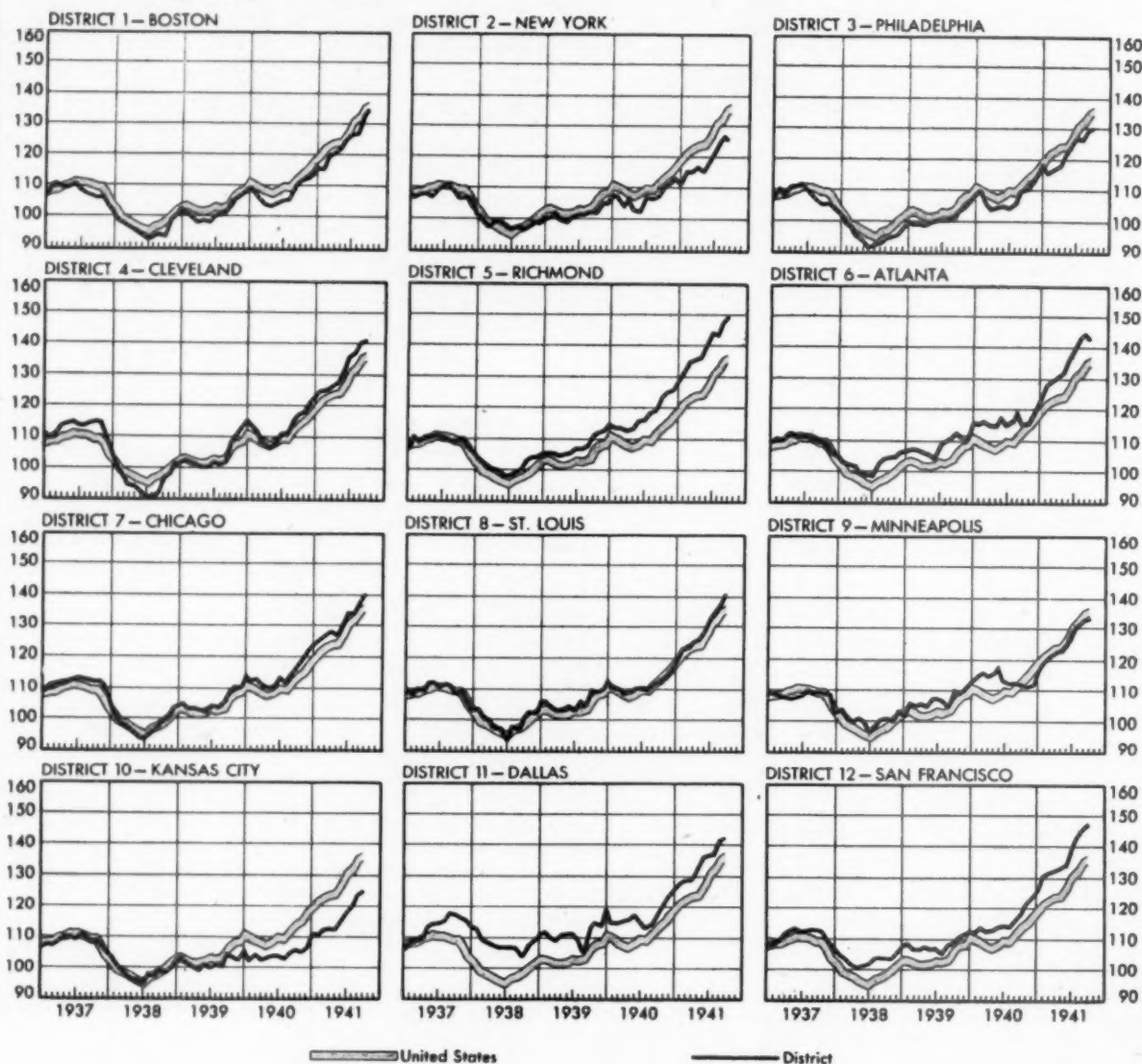
755 RIDGE ROAD WEST, ROCHESTER, NEW YORK
Jointly owned by EASTMAN KODAK CO. and GENERAL MILLS, INC.
Sales agent: Research Products Div., General Mills, Inc., Minneapolis, Minn.

"Oil-Soluble-Vitamin Headquarters"

Copyright 1941 by Distillation Products, Inc.

BUSINESS WEEK'S REGIONAL INCOME INDEXES

A month-by-month account of the trend of purchasing power in the country's 12 Federal Reserve Districts (1935-37=100, adjusted for seasonal)



THE FIGURES:

District	*Sept.	†August	Sept., 1940
United States	137.2	136.1	114.6
District 1—Boston	135.3	132.0	111.4
District 2—New York	126.0	126.9	110.2
District 3—Philadelphia	130.3	129.0	110.3
District 4—Cleveland	141.6	140.6	117.4
District 5—Richmond	149.7	147.5	123.3
District 6—Atlanta	142.9	145.2	115.6

*Subject to revision.

†Revised.

District	*Sept.	†August	Sept., 1940
United States	137.2	136.1	114.6
District 7—Chicago	140.2	137.5	117.5
District 8—St. Louis	141.3	138.1	113.3
District 9—Minneapolis	133.8	132.9	112.4
District 10—Kansas City	125.2	123.8	105.9
District 11—Dallas	142.2	141.6	118.1
District 12—San Francisco	147.9	146.1	118.3

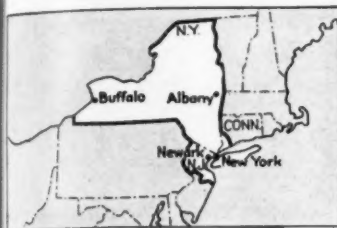
© BUSINESS WEEK

The rapid expansion in buying power has begun to show signs of slackening. From April through August, gains in national income averaged 2.75 points per month; but in September, the increase was only 1.1 points. However, differences among the various Reserve districts are still

striking. Boston, St. Louis, Chicago, and Richmond registered advances of more than 2 points each, thus extending their substantial gains of August. San Francisco and Kansas City also recorded better-than-average increases. New York and Atlanta actually declined.

The Regional Market Outlook

NEW YORK (Income Index—126.0; Month Ago—126.9; Year Ago—110.2)—District indexes continue to lag behind the nation's, largely because New York City income is so "slow." Added to the city's woes is the SPAB cut in construction; most building in the city is non-defense. Moreover, production, of apparel—coats, suits, dresses, shoes, furs—has tapered off in recent weeks. But such output is not directly affected by priorities, and will rebound in response to high national income.



52,153 sq. mi.

pop. 17,129,265

ATLANTA (Income Index—142.9; Month Ago—145.2; Year Ago—115.6)—This is the peak marketing season for agriculture. Even though harvests have been no better than in 1940, prices are up; current value of the district's major crops—cotton, cottonseed, tobacco, peanuts, rice, corn, and sweet potatoes—is \$700,000,000, or 40% more than a year ago. Feed supplies for livestock production have not been especially large, either, but hog and egg quotations are 70% above last year, and cattle and milk 30%.

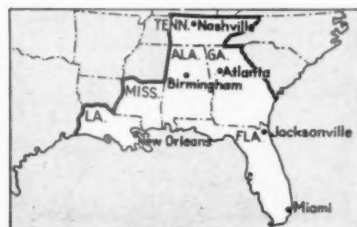
Southern Mississippi, with a bumper crop, will fare best among the rural areas. Farmers in Tennessee and Alabama will do well, too, but sharp drops in the cotton pick will cut gains in Georgia and Louisiana. Florida's vegetable and citrus fruit shipments this winter should bring large returns.

Industrial operations are no longer rising rapidly, having stabilized at near-

capacity levels. Due to the new SPAB restrictions on building, lumber may even drop. But arms plants continue to boom. Aircraft production has begun at Nashville; new aluminum facilities are operating at Alcoa, Tenn., and Lister, Ala.; construction of the Gadsden, Ala., ordnance plant has been completed; the Macon, Ga., fuse factory is in partial production; and shipbuilding is accelerating at Mobile, Ala., Pascagoula, Miss., and at Savannah, Ga.

Spread through this same upstate area is most of the district's 2,000,000 rural population. Competition for labor from nearby arms plants has driven agricultural wages up sharply, thus cutting deep into farmers' profit margins, which have already suffered from the effects of the drought on pastures and feed crops.

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247,778 sq. mi.

pop. 12,597,347

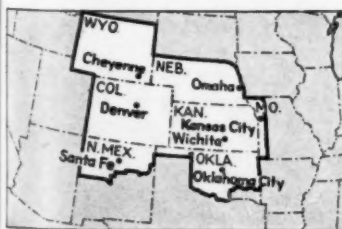
KANSAS CITY (Income Index—125.2; Month Ago—123.8; Year Ago—105.9)—Farmers in this agricultural region have been buoyed up by heavy rains and mild temperatures of recent weeks, for excellent feed supplies—corn, hay, and oats crops, as well as pastures—are assured. The improvement in Nebraska's prospects over last year is marked.

Thus, the outlook for livestock production is favorable. In order to build

up their herds, stockmen, throughout the district and particularly in Wyoming, Colorado, and northern New Mexico, reduced cattle and sheep marketings almost 50% below 1940. But now a sharp rise in shipments should boost receipts, and make up for the lag in income during the first half of the year.

Meanwhile, the armament spur to employment and payrolls in specific localities is accelerating. A bomb-loading works, to employ 3,000 persons, is to be built at Wahoo, Neb., and an airplane repair plant, to employ 3,500, is under way at Oklahoma City. The advance in zinc prices should lift mining around Joplin, Mo. (BW—Sep. 2'41,p34).

Since last November, district income payments, percentagewise, have outpaced the national average. Retail sales are best in the defense centers. Rural trade, especially in Kansas, but also in Nebraska and Colorado, has been good.



480,537 sq. mi.

pop. 7,855,397



Resource-full WEST VIRGINIA offers



Communities Ideal for Industry

There are many communities in West Virginia — small, medium, large — which offer ideal locations for industries seeking new manufacturing sites. Common to these communities are:

- Abundant resources
- Native-born workmen
- Economical power
- All forms of transportation
- Quick access to markets
- Excellent climate
- Cooperative State, Civic organizations

Knowledge of West Virginia's many advantages will be helpful to executives faced with today's extraordinary demands. Inquiries will be kept strictly confidential. Address your request to:



Industrial
Development
Division

WEST VIRGINIA PUBLICITY COMMISSION

Department BW 10, Charleston, W. Va.



SOUND..A NEW AID TO

American inventiveness fathered the philosophy—"It couldn't be done, so we did it"... made America the world's greatest industrial nation... and is today helping many American companies lick the tough production problems of national defense.

Typical of American ingenuity is a de-

velopment of RCA Laboratories—a unique new aid to industrial production... *sound!*

Strange as it may seem, sound—the RCA Victor Industrial Communications System—is now an important factor in increasing the output of the tools of defense. It is helping...

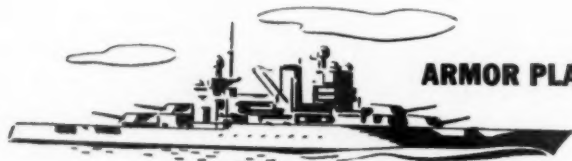
STEEL COMPANIES STEP UP TANK PRODUCTION



WOOLEN MILLS TURN OUT MORE UNIFORMS

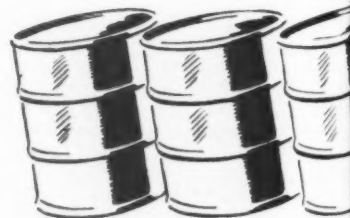


AIRCRAFT FACTORIES MANUFACTURE MORE PLANES



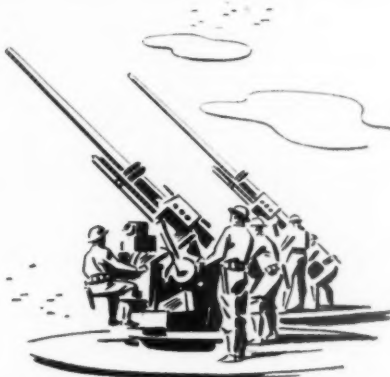
ARMOR PLATE COMPANIES IMPROVE BATTLESHIP PRODUCTION

CHEMICAL PLANTS PRODUCE MORE SOLVENTS

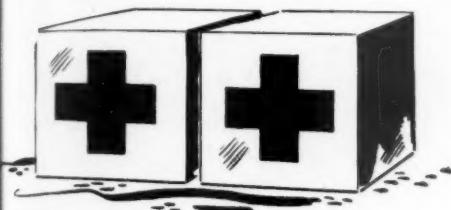


RCA Victor

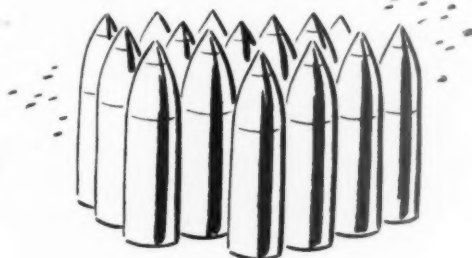
MACHINE SHOPS MAKE ANTI-AIRCRAFT GUNS FASTER



MEDICAL COMPANIES SPEED EMERGENCY SUPPLIES



MUNITIONS MAKERS PRODUCE MORE SHELLS



We would like to make RCA Victor Industrial Communications System available to all American industry. Unfortunately, we cannot do this at the present time. Defense program priorities confine current installations solely to organizations engaged in defense activities. If your plant is one of these we will be happy to discuss the application of this modern production aid to your particular problems.

Trademark "RCA Victor" Reg. U.S. Pat. Off. by RCA Manufacturing Co., Inc.



ROLL CALL

Some of the Users

of RCA Victor Industrial Communications Systems

Bethlehem Steel Corporation

Botany Worsted Mills

Bristol-Myers Company

Carnegie-Illinois Steel Corporation

Curtiss-Wright Corporation

Douglas Aircraft Company, Inc.

The Dow Chemical Company

**E. I. du Pont de Nemours
& Co. (Inc.)**

**Grumman Aircraft Engineering
Corporation**

Lockheed Aircraft Corporation

National Pneumatic Company

Republic Aviation Corporation

**Industrial Engineering Division, (Dept. 100)
RCA Manufacturing Co., Inc., Camden, N. J.**

Please send me more information on how sound can be used to increase defense production.

Name _____

Company _____

Address _____

City _____ State _____

INDUSTRIAL FOUND SYSTEMS

MUSIC—PAGING—COMMUNICATING

What's Happening to the Cost of Living

	Food	Clothing	Rent	Fuel, Ice, & Elec- tricity	House Furn- ishings	Misc.	Total Cost of Living
September, 1939...	98.4	100.3	104.4	98.6	101.1	101.1	100.6
September, 1940...	97.2	101.6	104.7	99.3	100.3	101.4	100.4
October	96.2	101.6	104.7	99.9	100.4	101.6	100.2
November	95.9	101.6	104.7	100.3	100.6	101.7	100.1
December	97.3	101.6	104.9	100.7	100.4	101.8	100.7
January, 1941....	97.8	100.7	105.0	100.8	100.1	101.9	100.8
February	97.9	100.4	105.1	100.6	100.4	101.9	100.8
March	98.4	102.1	105.1	100.7	101.6	101.9	101.2
April	100.6	102.4	105.4	101.0	102.4	102.2	102.2
May	102.1	102.8	105.7	101.1	103.2	102.5	102.9
June	105.9	103.3	105.8	101.4	105.3	103.3	104.6
July	106.7	104.2	106.1	102.3	107.2	103.7	105.2
August	108.0	105.9	106.3	103.2	108.1	103.8	106.0
September	110.8	110.8	106.8	103.7	112.0	105.0	108.1

Data: U. S. Bureau of Labor Statistics; 1935-39=100.

Cooling Price Ire

Grocers and department stores map appeasement drives to stem public wrath fomented by higher cost of living.

Retailers everywhere are anxiously waiting for a storm of consumer protest, fomented by the higher cost of living, to break over their heads. Back in January, the Office of Price Administration used to get two or three letters a week grumbling about prices. Now OPA analyzes over 100. And lately the complaints have been liberally sprinkled with such accusations against manufacturers and retailers as "profiteer," "hoarder," "speculator," and "monopolist," while prices are characterized as "unfair," "unreasonable," "exorbitant."

Grocers and department stores know that they, first of all, are in the line of consumer fire. Hence both of these retail groups are currently laying the foundations for appeasement campaigns in which publicity and a stronger lid on boiling prices are scheduled to be the major factors.

• **Panic Buying**—Among department, dry goods, and specialty stores, the National Retail Dry Goods Assn. is the focal point of the campaign, and it's taking the viewpoint that higher prices, in part, are due to wholesaler-retailer panic buying. Hence the N.R.D.G.A. is formally advising its members to observe the following code in purchasing new merchandise: Don't pad orders in the hope of getting a partial delivery as big as your entire needs (because padded orders falsely create scarcity prices). Don't give "blank check" orders, but insist on a firm price. Don't over-price your merchandise. Don't consent to arbitrary changes in traditional discount systems. Don't hesitate to consult your lawyer if the wholesaler or manufacturer

refuses to fill orders at the price upon which they were accepted.

At best, full observance of such a code wouldn't, of course, be more than half the answer to the price problem. So if consumer pressure gets too strong, it'll be followed up by public pronouncements intended to absolve the retailer from unjustifiable accusations. Some of these pronouncements may come from N.R.D.G.A. headquarters, but the bulk of any widespread public relations work will be left to individual retailers via their clerks, and publicity-advertising staffs.

• **Grocers' Plight**—As for the grocers, their situation is even more precarious than that of the department stores. Since 24¢ out of every retail dollar goes for food, complaints about food prices are naturally in the great majority. But the job of getting any concerted action out of the 400,000 U. S. retail grocery establishments is so insuperable that the ball is being carried by the Associated Grocery Manufacturers of America—more tightly knit for a purpose such as this.

A.G.M.A.'s first action has been a letter to the press from President Paul Willis lambasting statements on the part of public officials that food prices are up 24%, when they have actually risen only about 13% since the beginning of the war in September, 1939 (box, above). Meantime, says the letter, earnings of labor in manufacturing are up 27% since 1939 and farm prices are up 51%. On top of "this squeeze play, in which farm prices are being subsidized to new high levels on one side, and retail price ceilings and new taxes are being threatened on the other," the A.G.M.A. points out that the food industry has to contend with greater Army-Navy purchases, higher costs of production, and lease-lend requirements.

• **More Data on Costs**—Last week this initial bulletin was followed up with a chart on food prices, plus more data on low retail food costs. Price rises in the

future, said this follow-up, will be moderate, especially since food reserves are higher than last year. As a third step, the A.G.M.A. plans to get the independents and the chains together in the near future via their trade associations to work out a concerted publicity campaign through stores. It'll be both verbal and visual.

Other retailers as yet haven't followed the path of the department stores and grocers. But the Office of Price Administration has warned them to watch out. Too many, in OPA's opinion, are on their way to breaking the camel's back by marking up the new manufacturer's excise taxes on top of already high prices. Says OPA: "Properly figured, the tax should be left out of all markup calculations."

FTC vs. Raladam

Marmola wins another tilt in court but faces litigation for long time to come, in view of amended law and FDA activity.

The Federal Trade Commission has been balked again in its efforts to curb the advertising used by the Raladam Co., Detroit, in behalf of Marmola, a weight-reducing compound. After long delay, the Sixth Circuit Court of Appeals has ruled against FTC on the Raladam Co.'s appeal from the commission's latest cease-and-desist order.

FTC and Raladam are old enemies. In 1931, the Supreme Court ruled, on appeal from the Sixth Circuit Court, that FTC was powerless to crack down on Marmola because the Federal Trade Commission Act gave the commission control over "false and misleading" advertising only when it could be proved injurious to interstate competition. As a result of the decision, Marmola became the cause célèbre which spurred passage, in 1938, of the Wheeler-Lea amendment, which enables FTC to act against unfair trade practices without "proving injury to competition."

• **FTC in a Hurry**—Unable to wait for passage of the Wheeler-Lea amendment, however, FTC issued another, amended complaint against Raladam in the wake of the Supreme Court decision, evidently hoping to prove sufficient injury to competition to make it stick in the courts. It is this second order which formed the basis for the Circuit Court's latest decision. The court explained that, although Raladam's appeal was filed after the effective date of the Wheeler-Lea amendment, FTC's complaint was issued before the amendment's enactment and must, therefore, be judged on the basis of the old Federal Trade Commission law.

FTC now has the option of appeal-

ing the Circuit Court's decision to the Supreme Court, in hopes of making its complaint stick under the old law, or of dropping the present case entirely and beginning all over again with a new complaint which could be tried under the Wheeler-Lea amendment, thus eliminating the necessity for proving injury to interstate competition.

• **FDA's Party, Too**—Whatever course FTC takes, the Raladam Co. is likely to be in the courts for some time to come. In Madison, Wis., the Food and Drug Administration's seizure of Marmola as a dangerous drug (BW—Feb. 3 '40, p. 33) is now in the legal mill. Like FTC, FDA is a long-standing foe of Marmola, with a firm conviction that dessicated thyroid preparations should not be sold to the laity for use as weight-reducers. The present fight, climaxing FDA's 30-year wrangle with Marmola, promises to be long and bitter.

DRIVE ON TRADE GROUPS

The raft of complaints and cease-and-desist orders issued against various trade associations and assortments of manufacturers in the past few weeks indicates that the Federal Trade Commission's long-standing campaign against price conspiracies and other monopolies in restraint of trade, is beginning to assume the proportions of a crusade.

Since Oct. 4, complaints have been forthcoming against the following groups: Crown Manufacturers Association of America, its officers and directors, and 14 individual manufacturers of bottle closure; the National Crepe Paper Association of America, and eight member companies; six individual manufacturers of traffic signals and assorted traffic signal equipment; 19 manufacturers and distributors of low-pressure asbestos pipe.

Cease-and-desist orders were issued this week against the Food Service Equipment Industry, Inc., and the American Vittrified China Manufacturers Association, with their various members, and against the Power and Gang Mower Manufacturers' Association, and its members.

In addition, FTC announces that it has received answers to complaints previously issued against the Milk and Ice Cream Can Institute and nine manufacturer members (BW—Aug. 16 '41, p. 62) and against the National Association of Sanitary Milk Bottle Closure Manufacturers, and eight individual manufacturers of milk bottle caps. FTC also has the millinery and coat-and-suit industries on the griddle (BW—Oct. 11 '41, p. 50).

END OF THE "6%" CASE

Toward the end of 1936, the Federal Trade Commission charged four auto finance companies and 21 automobile manufacturers with "false and mislead-

ing" advertising; specifically, with talking about "6% plans" when carrying charges actually worked out to about 11½% simple annual interest. Ford Motor Co. was one of the targets of the commission's crackdown, and this week the auto finance case was finally cleaned up for good when the Supreme Court refused to review the decision of the Circuit Court in Cincinnati, upholding FTC's original cease-and-desist order against Ford.

Fairly early in the history of the auto finance case, FTC obtained consent decrees from all the companies involved, with two exceptions, Ford and General Motors. Framed to avoid giving non-signers a competitive advantage, the decrees could not become permanently effective until Ford and G.M. were brought in line. This was partially accomplished last winter, when the Supreme Court refused to review a Circuit Court decision unfavorable to General Motors (BW—Jan. 25 '41, p. 17). And now Ford, likewise, has received a final thumbs down.

Actually, FTC's victory is only for the record. All companies concerned, including Ford and G.M., have abstained from 6% advertising for a matter of five years now.

SUPER SUPERMARKET

Just before the defense emergency clamped down on construction of new markets, Los Angeles completed what probably will stand as the super supermarket for the duration. The big food center is built in the form of a "village" and covers seven and one-half acres around offices at 8601 West Third Street, Beverly Hills.

"Marketville," appropriately enough, is the name of the village; it will open early in November with the usual Hollywood ballyhoo. It has room for 121 different units selling food raw, cooked, to be taken out, or eaten on the spot. It will employ some 500 salespersons, provide parking space for 20,000 customers' cars, and counts on approximately \$1,500,000 sales the first year of operation.

The project was organized by Elias I. Berger and is modeled partly on the Los Angeles Farmers' Market, nearer the city, which originally was an actual farmers' market but didn't pay until experienced food merchants took it over. Marketville has the same small overhead (due to spreading out of departments in small buildings) and will give patrons the same advantages in low prices.

While buildings are of economical type, they are streamlined in appearance and the market area consists of 245,000 sq. ft. of asphalt paving. The location is close to a large Hollywood and Beverly Hills population with purchasing power and cultivated palates.

Do you know what KIND of advertising pays today?

Company heads must decide, wisely, right now!

Many find that **USEFUL** advertising, designed to transmit vital information, helps solve today's problems . . . helps insure tomorrow's business.

It is quite apparent that many company officers, formerly concerned largely with financing and management, are assuming a strong leadership that involves the more active direction of all operations . . . including advertising.

Today it is becoming increasingly evident that advertising is a multi-purpose tool that can help a company solve all manner of customer-relations problems. Many are discovering that advertising is simply a speedy, economical way to get important messages to customers and prospects.

And here's the wonderful thing about that: as manufacturers learn how to use advertising to ease *today's* pressure, they find that they are, at the same time, building a sound foundation for *future* business.

Here's a case in point

The producer of a material used to toughen alloy steels learned that many defense goods manufacturers, unfamiliar with the simple precautions that make it easy to machine tough steel, were troubled with tool breakage and rejection losses.

Through its business paper advertising, addressed specifically to the industries concerned, this company offered helpful literature. Now, new users are learning how to work with this material; learning to appreciate its features, too.

Thus, with *useful* advertising, they are doing what any company can do with business paper advertising today; expanding *future* markets by working out the solution to an *immediate* problem.

NOTE: That kind of advertising needs no defenders!

You, too, can use advertising profitably today

Company officers who have made the determination of advertising policies one of their major jobs, suggest four things: 1 . . . you must make sure that you have competent advertising help. 2 . . . you must provide adequate funds to achieve your advertising objectives. 3 . . . perhaps this is the most important. You must give your advertising people encouragement, help, and responsibility . . . you must make them officers on your "board of strategy." 4 . . . be specific. No one has time to read platitudes, boasts, or self-centered patriotic back patting. Generalities help no one; reader or advertiser.

Business papers offer the opportunity to work out sound and specific advertising, product by product, market by market.

"How To Find Out What To Say In Your Business Paper Advertising Today"

That is the title of a forthcoming A.B.P. booklet, based upon true case histories describing how manufacturers have taken steps to make their advertising profitable today. With this booklet as a guide, you will be able to work out, with your advertising people, the kind of business paper advertising that is helpful to your customers and prospects; advertising that will help you solve some of your immediate customer-relations problems, and build for the future, too. Check the coupon and clip to your letterhead.

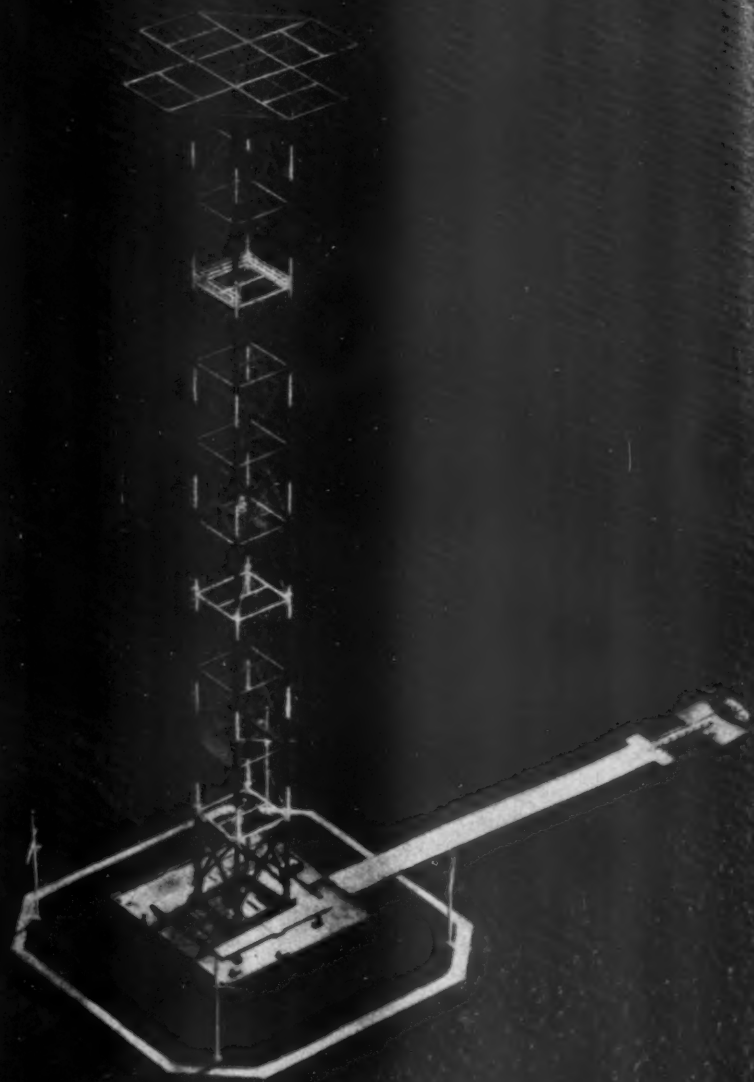


THE ASSOCIATED BUSINESS PAPERS
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These Practical Helps FREE:

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- ☐ "INTENSIVE ADVERTISING" by John E. Kennedy. Booklet by the man who, thirty years ago, did so much to replace "guff" in advertising with "printed salesmanship."
- ☐ "HOW I MANAGED MY ADVERTISING AGENCY." The confession of a business man who found out how to get a real money's worth from his agency's copywriting skill.



FOR 15,000,000 LISTENERS

A mile from shore, in the middle of Long Island Sound, stands a man-made island—sea-born foothold for a giant tower with a giant's voice. This is WABC's new 50,000-watt transmitter—the perfect voice of radio, serving 15,000,000 listeners as they have never been served in the past. Serving 10,000,000 of them with a signal two to ten times stronger than before!

The secret?

The secret is *that mile*—the most important mile in radio—the mile of salt water which surrounds this engineering miracle *on all four sides*.

That “salt-water-start” for a radio program, that first perfect mile, is like the first perfect skip of a stone—which sends it true and far.

WABC is the only 50,000-watt station on the eastern seaboard with this over-water start in *all* directions—east to both shores of the Sound—south through Queens and Brooklyn—north through New York and Connecticut—west through the heart of Manhattan and the homes of New Jersey.

Key station of the Columbia network, feeding CBS programs to 124 network stations and 120,000,000 listeners from coast to coast—the new WABC delivers those programs to the 15,000,000 *nearest* listeners with new strength, new clarity, new brilliance!

The New WABC, New York

KEY STATION OF THE COLUMBIA BROADCASTING SYSTEM



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2. EFFECTIVE FOREMANSHIP

By H. B. Maynard, President, Methods Engineering Council and 14 contributors. Brings out the fundamentals involved in the various problems of handling men, machines, and production, and gives case examples of their application in industry. Emphasizes attitudes as well as methods that lead to outstanding foremanship performance. Valuable group discussion material following each chapter. \$2.50

3. STANDARD HANDBOOK FOR SECRETARIES

By Lois Hutchinson. A real desk companion giving all the most frequently needed rules, forms, and standards in many subjects—also covering English and grammar in a usable way, and emphasizing banking details, securities practice, and other specialized subjects of importance to the private secretary in the business world. New third edition. \$2.95

4. CREDIT AND COLLECTION PRINCIPLES AND PRACTICE

By A. F. Chapin, New York University. Thorough, practical discussion of the credit and collection man's problems—with hundreds of tried and proved suggestions and plans for effectively solving them. Completely covers all phases of the work—credit instruments, organization, procedure—collection correspondence and legal aids. New fourth edition. \$4.50

5. EFFECTIVE ADVERTISING

By H. W. Hepner, Syracuse University. A basic textbook, covering all the essentials of preparing and producing advertisements, also treating broader modern concepts—advertising objectives, new attention to the consumer, use of scientific methods, etc. A guide to scores of questions on tools and techniques; valuable on the desk of anyone who has anything to do with advertising. \$4.00

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Name

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Company HW-10-25-41
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LABOR & MANAGEMENT

New Tactic in Gary

Drive for closed shop in U. S. Steel works takes form of guerilla war "within contract," causing "union unemployment."

Gary, Indiana, is a one-industry town; but no one will ever suggest that it be certified by OPM for relief from "priority unemployment." For Gary's one industry is steel, and because the world's biggest steel mill is there, it is a "defense center" if ever there was one.

Yet there is unemployment in Gary. Although United States Steel employs some 33,000 workers there now—an all-time high—and other Gary steel plants like American Bridge are also operating at record levels, steel workers are idle. Steel men call it "union unemployment." They mean that the Steel Corporation, despite the number on its payroll, can never be sure how many are going to be at work. Thus, for example, if six cranemen fail to report for work in one department, it may mean that 1,000 men will have to be sent home because steel can't be moved. If half a dozen other key men don't appear,

a second thousand must leave their jobs undone. And within the last month that has happened so often that U. S. Steel realizes that something beyond coincidence is involved.

• A Resolute Movement—Big Steel knows, in fact, that it's up against a resolute movement to make its Gary Works and other plants a closed union shop. But, in the orthodox sense, no labor dispute exists in Gary. At least, there is none which Washington has precedents for conciliating; nothing which can be written up as a "case" threatening defense production and referred to the National Defense Mediation Board for "settlement"—this, despite the fact that national defense is being impeded. A fortnight ago, men who did not come to work were responsible for a loss of steel production at Gary which would have built 2,000 medium tanks or 40 submarines. Some of the men who did not appear said they were kept away from the plant gate by "a bunch of guys" who asked to see their union cards; others who got in found their department down because key workers had stayed away.

That "bunch of guys" is an organized group composed of members of C.I.O.'s Steel Workers Organizing Committee, and it looked to everyone who saw it, much like a well-planned picket



To get to work in U. S. Steel's Gary, Ind., mill these days, a worker must show his union card to S.W.O.C. representatives outside the plant (above) before he shows his badge to watchmen at the gate. Guerilla tactics like

these employed in the closed union shop drive don't constitute a strike in the union's opinion—they're used with a scrupulous regard for technicalities in the S.W.O.C. contract that keeps the company from intervening.

line. S.W.O.C. officials, however, simply explain that the "bunch" was made up of "good union men who were tired of seeing nonmembers get the benefits of organization without helping to pay the costs." One S.W.O.C. representative identified the "crowd" as "volunteer dues collectors."

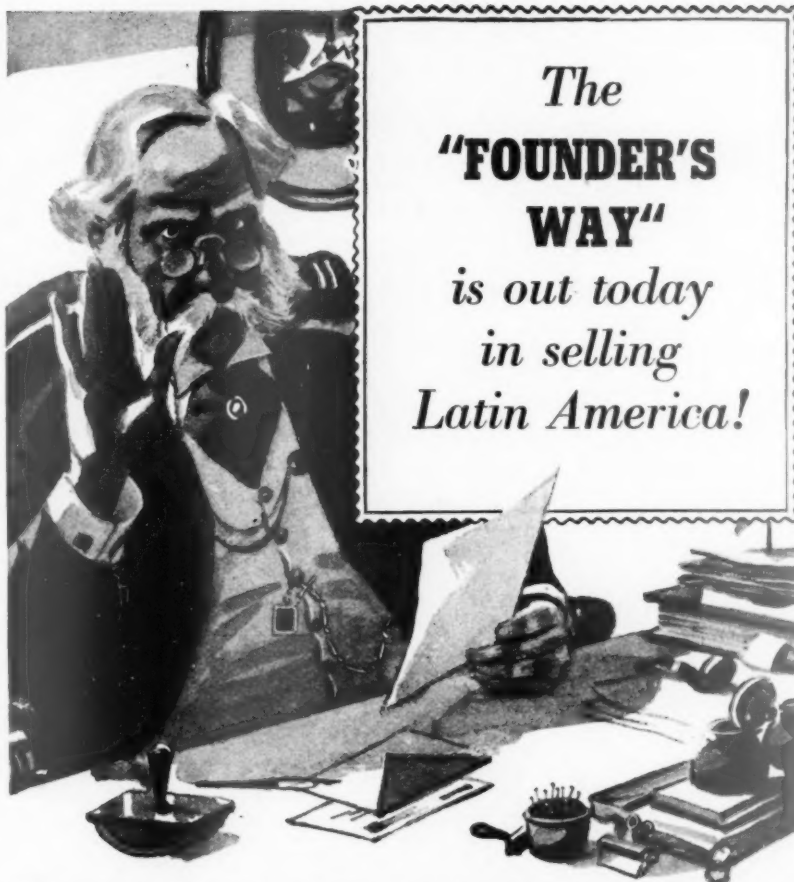
• **No Dispute Admitted**—But the union will admit to no dispute with the company. Its members in strategic jobs will stay home from work ("An American worker ain't a slave, is he? I've got the right to stay home once in a while"); some will refuse to work with nonunion men; some will leave their posts early to hurry out and keep nonunion employees from checking in.

U. S. Steel claims it is powerless to do anything about the situation. When company spokesmen remind union representatives that a contract is in force which provides that "the union agrees not to intimidate or coerce employees into membership," union men shrug and say that they are not coercing anybody, that they can't assume responsibility for the acts of all the company's workers. When the company raises objections to the "bunch of guys" at its gates, suggesting that they constitute a picket line engaged in strike operations, the union counters by citing another contract clause which gives the company permission to discharge "offending parties" after "48 hours of participation in a work stoppage." Needless to say, the picket lines recess after a 36- or 42-hour stand.

• **Contract Joker**—U. S. Steel is convinced that if it fires any of the "trouble-makers" it will be up against a general strike, and the general strike will be called to protest the company's violation of its contract. That such a case could be made against it under the circumstances, U. S. Steel will ruefully admit. Observers point out that the Steel Corporation is caught by a determined union in the toils of a badly drawn contract, and suggest that the "48-hour clause" is a joker which isn't very funny.

In the meantime, the union has asked nothing of the company. It goes on with its work of handling grievances as if no other issue existed. If it admits that there is "trouble" at all, it is careful to note that it is trouble with non-union employees and not with the company.

There are only two courses of action which will free Big Steel from its dilemma. It can either invoke the "10-day clause" in its contract with the C.I.O., which will void the entire agreement after a 10-day notice, or it can grant the union a closed shop. To do the first would give the union an opportunity to insist formally on a closed shop, threaten a strike to get it. To do the second would be to revise a traditional policy, so strongly held that it induced Big Steel to let the government



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**"FOUNDER'S
WAY"**
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Latin America!*

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THE ECONOMICAL WAY, IS THE
FLYING CLIPPER WAY!**



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The record shows more and more companies speeding men, mail, materials by Clipper. Arrivals in days instead of weeks are opening markets once out of range.

Pan American saves time in other ways. It offers the *direct* service to *all* major Latin American cities. Its frequent daily and weekly flights make possible prompt, convenient connections.

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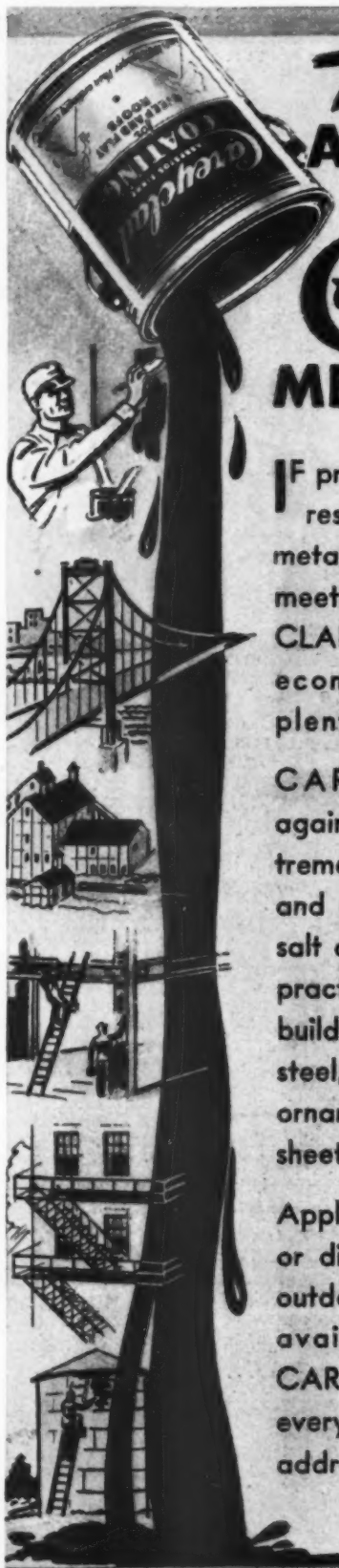
A few examples of fast, frequent air service to 177 Latin American cities and other world markets

	Time in Transit	Air Mileage	Flights per Week
Chicago to Rio	3 days	5,703	6
Houston to San Jose	1½ days	2,057	7
New York to Havana	1 day	1,452	17
San Francisco to New Zealand	4½ days	8,027	bi-weekly

Transit times and air mileages include connecting flight by domestic airline to Pan American gateway city.



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IF priority listings or rationing have restricted your normal supply of metal coatings, CAREYCLAD may meet your requirements. CAREYCLAD does an effective job; it's economical; and the supply is plentiful.

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Applied by spray painting, brushing or dipping, at everyday indoor or outdoor temperatures. Promptly available in quantity through CAREY Branches and Distributors everywhere. Write for details—address Dept. 29.

THE PHILIP CAREY MANUFACTURING COMPANY • Lockland, Cincinnati, Ohio

IN CANADA: THE PHILIP CAREY COMPANY, LTD. Office and Factory: LENOXVILLE, P. Q.

take over its Federal Shipbuilding and Dry Dock subsidiary at Kearny rather than accept a modified union shop (BW—Aug. 30 '41, p15).

• **Apt to Do Nothing**—Confronted with these alternatives, U. S. Steel is more apt to do nothing. It will go on making as much steel as it can in the face of the union's guerilla campaign, hoping that sentiment will turn against the union before things get too chaotic.

Thus, at the moment, U. S. Steel's mills are the proving ground for a new kind of C.I.O. strategy. If that strategy can be effective enough to make the company offer a union shop in order to get relief, then "union unemployment" is in store for a great many other steel mills and a great many other mass-production industries. Again, as in 1937 when Big Steel signed its first contract with the C.I.O. and gave the industrial-union movement considerable impetus, Big Steel will set the pace in deciding what basic American industry shall do about the steadily growing demand for the union shop.

U.A.W. Job Drive

Auto disemployment spurs C.I.O. union campaign for super production board. Tool and die operations are criticized.

Last spring an auto-company president prophesied privately that the U.A.W.-C.I.O. would renew its demand for adoption of the Reuther plan when it could be made to appear that the auto industry had mishandled the defense program. Before the Tolan Congressional Committee investigating defense-worker migration in Detroit in September, R. J. Thomas, union president, said that if the C.I.O. plan for conversion of auto plants to defense had been undertaken ten months ago, the nation would not now be facing a major unemployment problem.

Last week, the union went a step further in its criticism campaign designed to create support for a super production board, upon which industry, labor, and government would have representatives. The U.A.W. charged that the tool and die plants are operating at "no more than 35% of capacity."

• **34 Plants Surveyed**—This criticism is leveled after making a survey of 34 out of the 300 or more tool and die plants operating in the Detroit area. Out of 1,577 machine tools installed in these 34 plants, it is asserted that 377 are idle, and that the remainder operate but 70.4 hr. per week on the average. Capacity operation, at 160 hr. per week, is required, according to the U.A.W., and steps should be taken to coordinate



**U.S.S.
TUSCALOOSA**

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**CRAMP
PROPELLERS**

U.S.S. Tuscaloosa built by New York Shipbuilding Corporation.

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THE MIDVALE COMPANY • CRAMP BRASS AND IRON FOUNDRIES DIVISION

A GOOD REMINDER-BUT THE SURE WAY IS TO PUT IT IN WRITING ON

Mem Index

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EMPLOYEE RELATIONS neither begin nor end at the plant gate

By Harold B. Bergen, Partner McKinsey & Co.,
Management Consultants

Employee relations no longer are merely matters of hiring and firing. Nor are "more" wages the answer—notwithstanding current strikes for pay increases. Scientific studies of employee morale invariably show that the kind of foreman the workers have determines their attitude more than anything else. Labor often demands higher wages, when the real reason for discontent is poor foremanship.

No foreman is likely to be a good boss, however, unless he receives fair treatment from his superintendent—and the latter, in turn, must receive proper leadership from top management. In other words, good employee relations begin at the top; and poor morale is usually a reflection of the attitude of the chief executive towards personnel matters.

This means that top management should plan employee relations as carefully as it plans sales, production, purchasing, and financing. It means also that supervisors and foremen should participate in formulating the labor policies and procedures

the reservoir of unused equipment for full and immediate transition of the auto industry to defense production as the key to the unemployment problem and maximum arms output.

Labor holds up the spectacle of "idle equipment" and the fact that some tool and die shops are working short time as proof that industry by itself can not make full use of productive capacity and labor. There is no reason to doubt the union's sincerity in these criticisms. However, the industry is able to point to technical matters which probably have escaped the union's notice. Among the 34 plants criticised are found the large die plants, for whose services there is a relatively light demand from the defense program.

• **Equipment Factor**—Much of the equipment installed in these big die shops is suitable only for "roughing operations" on enormous automobile dies and has found limited use to date on national-defense jigs and fixtures. And upon getting under way with dies for bomber parts, it has been found that fewer bench hands are needed. Union shop committees, in consequence, have called for the 32-hr. week to spread the work. The skilled machine operators know that they can get full time elsewhere, and ask for leave of absence with full seniority protection, as guaranteed under recent agreements (BW—Oct.11



under which they must operate; and that employees, or their chosen representatives, should be consulted before action is taken on personnel practices which affect them vitally.

The development of long-range employee relations in this manner will minimize dissatisfaction, and will promote good morale and efficient production. Preventative personnel management is much more economical and effective than "trouble-shooting" when labor difficulties arise. A large amount of labor discontent is entirely unnecessary, and can be prevented if management will anticipate the causes and take appropriate action before emergencies develop.

This article, written by Harold B. Bergen, as an independent observer, is published as a matter of interest to both employer and employee.

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'41,p62) but say they will be willing to stay if granted a wage increase.

If wage adjustments are given to these men, the whole shop must benefit. Since the displaced bench hands can get immediate work at plants such as Hudson and Briggs, die-shop employers see no reason for short work weeks upon available contracts. They feel that the recently concluded seniority agreements are being used as a club to get higher wages. By and large, tool and die shops are working to the limit of their capacity with available men, considering the type of work they are set up to handle.

• **Transfer of Skilled Men**—The union has contended that many skilled men are kept on the payrolls of large manufacturers while working the majority of the year at below their maximum skill. To speed the defense program, it foresees the necessity for a branch of the super planning board with authority to transfer skilled men at its discretion. Mobility of labor under this plan would depend upon a prior equalization of wage rates for the same skill in all plants.

What are the prospects for getting additional skilled tool- and diemakers from auto curtailment, so as to put tool and die shops upon a 160-hr. week basis? The Michigan Unemployment Compensation Commission has tabulated an occupational analysis of the layoffs and rehires in the Metropolitan Detroit area from September through February. In the toolmaker classification, layoffs total 41, defense hires 552; the available supply is 6, and the net deficit is anticipated as 505. Among diemakers, 51 will be laid off, 258 will be wanted on defense jobs, 9 are available, and the deficit is projected as 198. Among machinists, there will be practically no layoffs. These data were obtained from 428 companies which employed some 385,000 persons during the summer months.

• **Layoffs vs. Rehires**—The occupational-analysis survey reveals that, out of the 385,000 workers, 53,735 will be laid off by Feb. 28, while anticipated rehires on defense total only 20,938. While the net unemployment is indicated as 33,000, commission officials believe that the figure will rise to 50,000 through curtailment in refrigerators and other household appliances and the effect of materials shortages upon nondefense plants.

Broken down into job classifications, according to the system devised by the U. S. Employment Service, the occupational-analysis survey reveals an exact picture of the shortages to be expected in the skilled and semiskilled trades needed in defense. Against these shortages, it evaluates the skills available for upgrading or conversion training in plants or vocational schools. Laid-off workers will be registered with the state employment offices and given first chance at public training. The Detroit

Defense Vocational Training program is currently larger than those in other industrial areas, and is capable of handling 15,000 persons at one time. Unemployed workers without seniority have the prospect of getting a job until well into next year.

In line with the union's idea to compel transfer of skilled workers who are employed at less than their maximum skill, state agencies will seek to register such persons and ask their transfer to defense jobs.

Labor Depletion

Defense shortages exist or are imminent in many employment classifications. Hiring problems are exemplified by Boeing.

Figures just released by the Social Security Board's Bureau of Employment Security make it clear that industry has burned the labor supply corner and has arrived at the point of real shortages. By last July 1, unemployment in 126 occupations important to defense production had been practically exhausted. By November, 164 of the 514 job categories judged "defense occupations" are expected to show a demand well in excess of supply.

In most of the job classifications showing marked shortages, the heavy demand has been accompanied by sharp decreases in the supply of registrants at state employment service offices. Among the occupations in which deficits are expected to be greatest by November are: detail and final assemblers, riveters and sheet metal workers equipped for aircraft work; carpenters, electricians, fitters, marine machinists and ship fitters for shipbuilding; and boring mill operators, die makers, engine lathe operators, floor assemblers, inspectors, machinists and bench machinists for machine shops.

• All-Time Highs—The 38 occupations in which there was sufficient available labor to meet early summer demand but which are expected to be short by November include some in which current demand is at an all-time high. Some of these anticipated shortages may not become as stringent as is now expected, since many of the openings are in semi-skilled jobs for which training may be given speedily. Among many of the occupations in this group, however, available labor supply has alarmed Washington. Such occupations include forming press operators, power shear operators, drop hammer operators, and bench molders. The heaviest demand is reported for sheet metal workers and single spindle press operators.

Exhaustion of the country's skilled labor reserve is, of course, accounted for

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BELOW, LEFT: Twin Disc Power Take-off. CENTER: Model MT Duplex Machine Tool Clutch. RIGHT: Twin Disc Model E Heavy-duty Clutch.



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by expansion of defense plants. Boeing Aircraft Co. in Seattle, for example, hired 10,000 new employees in the last ten weeks and other key firms are approaching that record.

• **Hiring Splurge**—Boeing's unprecedented hiring splurge took place as work on a huge new fleet of Boeing B-17 Flying Fortresses emerged from the parts-manufacturing stage into the major sub-assembly and final assembly phase. Deliveries of the new bombers began the latter part of September. Meanwhile, an increasing rate of deliveries of Douglas-type Boston III attack bombers for the R.A.F. also absorbed a portion of the new employment quota.

Boeing now has more than 21,000 employees. The effort involved in simply selecting new employees and putting them to work has been tremendous. In one week during the ten-week splurge, Boeing registered 1,450 persons on application blanks, interviewed them briefly, and gave them preliminary classification. Of this number, 1,150 persons received placement interviews and 800 were hired.

• **From Interview to Payroll**—But once the applicant was tentatively hired, the work of getting him on the payroll and into the shop had just begun. A new man must first clear the American citizenship requirement. Then a complete physical examination is given by the company's medical division. Various forms must be filled out, a time clock number assigned. The man is photographed and fingerprinted. Finally, he receives his identification card and button and is told when and where to report to work. About 50% of the men Boeing has hired for factory jobs cleared through the Washington State Employment Service.

MARCH OF DIMES

To get the lowdown on wages and working conditions of redcaps, the Wage-Hour Division has had its research chief, Thomas Holland, conducting hearings since mid-summer. Last week the examiner concluded at Chicago two weeks of listening while the railroads urged their side of the case.

The redcaps had previously told him their tale (BW—Sep. 6 '41, p. 52) of alleged less-than-living incomes, with an underlying contention that 'tain't fair. The employers' testimony took the expected direction of claiming that the boys rake in plenty of tip money above the dime-a-bag checking fee they must turn in, and that, anyhow, their wage level meets the requirements of the wage-hour railroad scale and is adequate for strong-back labor on a no-skill job.

• **Washington Windup**—Final hearings come next month at Washington. Special target of this session will probably be the Washington terminal company, which the redcaps assert clears \$55,000

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a year by the simple expedient of taking
into itself all the checking dimes the
boys earn, and paying them the legal
minimum wage rate.

In January come arguments before
the Wage-Hour Administrator by the
United Transport Service Employees of
America (for the negro redcaps), the
Brotherhood of Railroad and Steamship
Clerks (for the white redcaps), and the
railroads. Thereafter, the Administrator
must report his findings to the Senate
Committee on Labor and Education,
which ordered the inquiry. Meanwhile,
travelers' squawks increase about the al-
leged lethargy of redcaps at some major
stations ever since the dime-a-bag system
took the place of exclusive dependence
on tip-money.

ACCORD AT CONSOLIDATED

For the third time in a month, a
dispute over wages threatened to disrupt
production of airplanes at the Consoli-
dated Aircraft Co. plant in San Diego;
and for the third time it was called set-
tled. But last week's settlement seemed
to be really final, for it was incorporated
in a contract between the company and
A.F.L.'s Machinists Union.

First deadlock came when, after the
union formulated its demands and the
company opposed them, the dispute
went to the National Defense Mediation
Board (BW-Oct.11'41,p68). Next,
NDMB offered recommendations which
were rejected by the union because the
pay increase order was not retroactive
to July 5. The dispute went back to
the board for further study and a second
set of recommendations were formu-
lated. This proposal, making wage in-
creases retroactive to Aug. 5, was satis-
factory to the union (BW-Oct.18'41,
p17), but the company found it unac-
ceptable. Consolidated maintained that
it couldn't grant the wage increases
called for (13¢ an hour) without invok-
ing the escalator clause in government
contracts. Last week it looked as though
Washington had given Consolidated
management a go-ahead signal on that
score, for the company signed a one-
year agreement with the A.F.L.

GUILD GOES ANTI-RED

The American Newspaper Guild,
C.I.O.'s union of reporters, gets a new
set of officers Nov. 1, and observers look
for the organization to change its com-
plexion. According to critics of the
guild, its complexion has always been
red, and it was on the issue of Com-
munist control that the election of
officers just concluded was fought.

At the guild's last convention (BW-
Jul.5'41,p39), a group which identified
itself as "anti-Communist" pushed
through a resolution to have officers
elected by a national referendum, rather
than by the former method of nomina-



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That's the Missus for you. Quick to notice things. Like how
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tion and balloting in convention. Purpose of this was to get maximum participation in guild affairs, and "take the Communist issue to rank-and-file members." The "anti-Communist" faction also put up a slate of candidates to run against the incumbents, and it is this slate which has just been elected.

The Guild's new ranking officials who take over Nov. 1 are to be Milton Murray of the Detroit Times, president; Sam Eubanks of the Oakland Post-Inquirer, executive vice-president; and William Rodgers of the Newspaper Information Service of Washington, secretary-treasurer.

JURISDICTIONAL PEACE PLAN

A new attempt to forestall jurisdictional disputes between unions was launched in New York City last week. Covering the local electrical supply manufacturing industry, parties to the experiment are C.I.O.'s United Electrical and Radio Workers Union, A.F.L.'s International Brotherhood of Electrical Workers, and the City of New York in the person of Mayor Fiorello H. La Guardia's labor secretary, Mrs. Ethel Epstein.

The two unions signed an agreement with the mayor's secretary not to poach on each other's preserves. They bound themselves not to organize in plants which the rival union has under contract, not to interfere or intervene in a plant which the other is in the process of organizing, and not to write contracts with wage provisions out of line with those prevailing in competing establishments. Questions of violations of the accord are to be discussed directly by the unions and, if they can come to no agreement, Mrs. Epstein was empowered to decide the issue. Employers were not party to the agreement but are vitally interested in its fate. If it can demonstrate any effectiveness, there are plenty of people in Washington who

will be delighted to promote it on national scale.

HOTEL STRIKE ENDS

Wage increases aggregating \$215,000 a year this week ended the 13-day strike of service personnel, which all but closed Pittsburgh's eight principal hotels (BW-Oct.18'41,p.59). The strike was prosecuted in orderly but determined fashion by A.F.L. Hotel and Restaurant Employees' International Alliance Local 237 and Bartenders' International League Local 188.

Termination of the walkout eased the pressure on the Duquesne Club and the Pittsburgh Athletic Association, whose members were besieged by transients tycoons for sleeping accommodations.

The 1,600 elevator operators, porters, bellhops, maids, waiters, cooks, bartenders, and the like lost \$60,000 in wages while they were out. Gross revenues lost to the hotels were about \$180,000. Without an accurate yardstick, the secondary loss to Pittsburgh business was estimated at from \$800,000 to \$1,000,000. The new wage scale (elevator operators, \$85 a month; doormen, \$70; waiters, \$57; busboys, \$60; bartenders, \$40 a week) brings the annual wage outlay for hotel labor in these categories to \$1,650,000.

FEED MILL TRUCE

As a result of a compromise that averted a permanent break between organized labor and the largest farm co-operative in the East (BW-Sep.20'41,p.28), the Grange League Federation feed mill in Buffalo will be working again by the end of the month. But there's a joker in the settlement of the A.F.L.'s Flour, Feed, and Cereal Workers union strike against G.L.F.: The plant's production schedule has been cut considerably under quotas prior to the beginning of the strike on July 1.

More than 100 of the 654 affiliated farm co-ops in New York, New Jersey and northern Pennsylvania which were cut off from their accustomed feed supply by the strike established their own local mills—and have found them too good a thing to give up. Obviously, this means fewer jobs for members of Buffalo's Local 19184.

The settlement, announced Oct. 10, broke a deadlock over a hiring clause. The union had held out for continuance of its hiring hall privilege; management demanded the right to employ men of its own choosing. Although union and management by mutual agreement remain mum on the actual settlement terms, Bibbins "credits" labor leaders with proffering the accepted terms which he describes as "quite satisfactory and guaranteeing continuity of efficient service by labor to the farmer." The new contract expires Sept. 1, 1942.



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PRODUCTION

At the Metal Show

How to do more with less
dominant theme as technicians
gather. Answers are provided
for several important problems.

It didn't take long to uncover the big
question that drew thousands
of metallurgists, heat-treaters, welders,
manufacturers, and defense officials to
Philadelphia this week for the 23rd annual
National Metal Congress and Exposition.
It was: "How can we do more with
less?" As one veteran materials consultant
put it, "There's going to be no such thing
as a plentiful metal for the duration, and I've
come down here to learn every way possible to
stretch what we are going to be able to get."
Whatever the assigned topics of the many
concurrent technical meetings of the American
Society for Metals, the American Institute of
Mining and Metallurgical Engineers, the American
Welding Society, the Wire Association, and the
Metal Treating Institute, the discussion periods
seemed inevitably to turn to the same vital question.

Encouraging Answers—For some, fortunately,
there were encouraging answers. One manufacturer,
for instance, who has been up against it for enough
cool steel of the right grades to machine his products,
participated in a discussion of new methods of grinding
and is going back to his plant with a flock of ideas
for extending his grinding equipment to wider use.
Another manufacturer, who has been caught short on
alloy steel for civilian forgings, saw a new setup at the
Metal Show for forging military shells which requires
16 lb. of billet steel for a 5-mm. shell before machining.
He says he is going home "with an earful" for his plant
manager, and a pious hope that he can wangle the price
of new equipment out of his board of directors and get it
from the manufacturers, if he can.

Despite the fact that the products of many of the 300
exhibitors are "not available for civilian purposes,"
exhibits were unusually elaborate and complete. Steel
makers, nonferrous producers, furnace manufacturers,
welders, instrument makers, and the host of suppliers to
the metal-working industry showed their newest and best,
not with the idea of expanding present sales, but to
answer questions regarding their economic use and application.
Not only was there an unusual quantity of how-to-do-it
booklets available at every booth, but some

manufacturers had put together complete lists and "directories" of their technical literature for ready reference.

Gas and Electricity—Gas and electricity ended the show in a friendly tie for attention. For every dozen onlookers at an electrical welding exhibit, there was another dozen intent on the mysteries of gas welding. Unofficial counts of those who lingered long over the colorful process of flame hardening were matched by those who sought to fathom

HELP IN SELECTING YOUR NEW ADVERTISING AGENCY

To select the right agency for the unusual times ahead, you must interview a group of those most likely able to serve you. 6 reasons why we belong in that group:

1. We offer the advantages of a small agency with a large-agency-trained staff.
2. Our principals have directed their own commercial businesses.
3. We spend more time in the field than most agencies.
4. Testing is a fundamental with us—for greater advertising results.
5. We know how to use advertising to do many jobs (other than move merchandise).
6. We serve a diversified group of national accounts—from class to industrial, from package goods to service.

Further facts in our new 5-minute folder, "Business Men Handle My Advertising." Write for your copy.

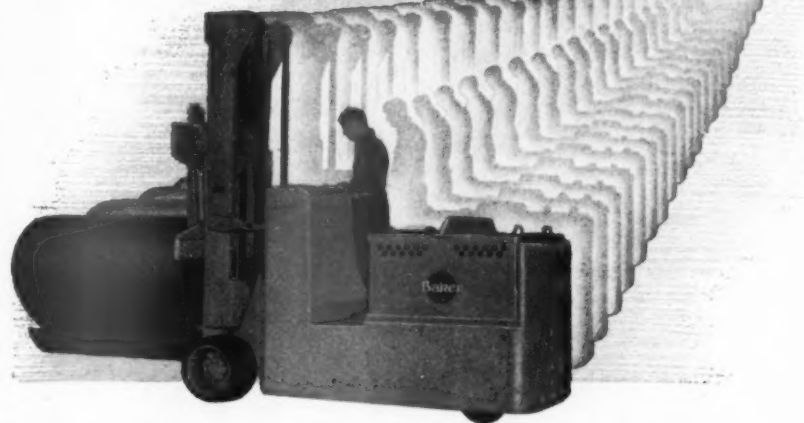
J. M. HICKERSON Inc.

Advertising Agency Service

110 East 42nd Street, New York • Murray Hill 3-7436

451 BAKER TRUCKS

Serve America's Steel Mills



Of 84 mills using Baker Trucks, 62 have bought 2 or more —
11 have bought 10 or more and 4 have bought more than 50!

The men who make Steel know what they want when they buy industrial trucks. They prefer Baker Trucks because they know, among other things, how much high cost alloy steel goes into their construction. They know that the Baker Heavy Duty Truck has one of the strongest drive axles ever built into any industrial truck. They know, from personal experience, that Baker Trucks have the stamina that assures dependable performance and low maintenance under the gruelling conditions in their mills.

Because of the increased demands for Baker Trucks in Defense Production, we recommend that future requirements be anticipated now.

Baker has pioneered many improvements in Steel Handling

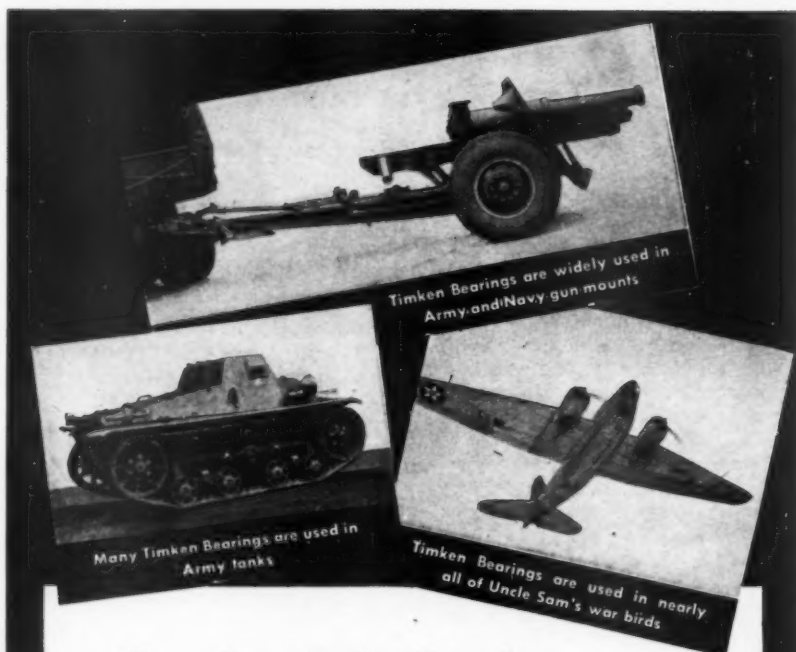
Cooperating with steel mill engineers, we are constantly developing and introducing new features to step up efficiency of steel handling. Outstanding Baker contributions are:

Ram Truck for handling coils
Center-Controlled Truck
Articulated Sheet Handler

BAKER INDUSTRIAL TRUCK DIVISION of the Baker-Raulang Company
2164 WEST 25th STREET • • • CLEVELAND, OHIO

Baker INDUSTRIAL TRUCKS

In Canada: Railway and Power Engineering Corporation, Ltd.



On the Job for America

Not only are Timken's vast resources in full production for America's Defense Program, but large additional Timken factories are being rushed to completion to be on the job for America's requirements.

We at Timken headquarters, recognize our responsibility and are supplying millions of anti-friction bearings, not only for the Defense Equipment itself but for the machines which fabricate the finished products.

"On the job for America"—is the slogan throughout the great Timken organization. The Timken Roller Bearing Company, Canton, Ohio.



Timken Bearings are used in many kinds of navy equipment

TIMKEN
TAPERED ROLLER BEARINGS

Copyright 1941 by The Timken Roller Bearing Company



the mysteries of the more mysterious frequency induction heating. To most visitors, it's logical enough for a piece of metal to get white-hot under the impingement of a row of gas flames. It's something else when a cold metal part, thrust into a cold electrical coil, becomes white-hot in a few seconds or less. There's a long technical explanation about the way the electrons in the metal dance faster and faster, hence hotter and hotter, when under the influence of a high-frequency field, but admittedly the process is somewhat uncanny.

Induction set-ups at the show ranged from small coils for annealing rifle cartridge cases to big ones for hardening the insides of big diesel cylinder liners. Both gas and electrical heat-treating were available with automatic heating and quenching cycles.

• **Innovations**—New things which drew an unusual amount of attention included automatic electronic controls for electrical welders; steel drills so hard and tough that they cut right through hardened armor plate and high speed steel; woven wire conveyor belts with two-inch flanged sides designed to roll over pulleys without buckling and through continuous heat-treating furnaces at temperatures up to 2,100 F.; electrical refrigerators for "holding in anneal" aluminum rivets and parts at temperatures as low as -50 F.

In the demonstration of the steel drills, smooth holes were drilled in glass-hard steel files without discoloring the surrounding metal and presumably without drawing the temper. One of the several exhibitors of electronic welding controls used the motto, "Weld for yourself!" to show how easy it now is to weld thin sections of stainless steel, monel, and other metals.

Wire Reinforcing

Contractor solves shortage of steel bars by devising means of strengthening concrete members with steel wire.

Substitution of steel wire, which is obtainable, for steel reinforcing bars, which aren't readily available, is one construction firm's solution to the problem of how to stay in business while structural materials, particularly steel, are scarce.

The innovation came to light in the contract recently signed by Wailes-Bageman Co. and the Los Angeles Housing Authority (USHA) for prefabricated concrete members (beams, floor joists, etc.) for the 400-unit Del Rio Housing Project in Los Angeles.

• **Time Savers**—Prefabricated concrete members have become increasingly popular, especially in the Los Angeles area,

because they require no falsework for second-story floors—and erection operations can be speeded up. Also, builders say the quality of the concrete in the finished job is higher because the members are manufactured in a specialized plant instead of being poured "in the field."

Recently, Wailes-Bageman Co. developed special equipment and methods so that it could substitute the cold-drawn steel wire (No. 4) for the scarcer bars. In addition to permitting use of available materials, the new method substantially reduces total steel requirements on construction jobs. For instance, on the Del Rio job, which calls for 288,000 sq. ft. of second-floor and roof area, average amount of steel required will run only about 1 lb. per square foot of floor area. If reinforcing bars were used, steel requirements would run about 2 lb. per square foot.

Recooked Autos?

Melting them down "as is" to drain off different metals is object of serious experiment, but that's all that can be said.

"To meet the demand for more metal for national defense, a Buffalo (N. Y.) concern is putting in operation a new scheme by which it will scoop wrecked automobiles from the junkyards of the nation, dump them 'as is' into its cupolas, and turn out in one series of operations finished parts for war weapons." Stories like that have been featured in the news recently.

Reader reactions run the gamut of the junk dealer's "Gosh, I hope it can be done," to the metallurgist's abrupt "It can't be done." Technical difficulties range from the overpowering problem of separating brass and bronze and aluminum and alloy steel from one melted conglomerate to the comparatively minor, yet hitherto unsolved problem of keeping the tin in bearing metals from getting into steel and ruining it as scrap for subsequent steelmaking.

• **Experimentation**—Fact is, however, that the Universal Research Corp. of Buffalo, is working on just such a method of dumping old autos, trucks, and other scrap metal from various sources into a cupola. The idea of its technicians is to apply heat and pressure, to skim off the refuse, and at certain stages of the "smelting process," to draw off the various metals in progressive degrees of kind and quality. Further fact is that officials of a big Midwest equipment manufacturer with whom Universal has been negotiating for cupolas, still have their fingers crossed, feel that quite a few further tests will be in order.




1 ORIGINAL, 2 LOW-COST COPIES
double quick!

No lost motion...no lost time! Greater accuracy, greater safety! Write the details only once—on the face of the Blue Streak Voucher Check. You get *two* clear carbon copies with no extra effort. One to serve as your check register; the other to file with paid bills. This system gives you better disbursement control because errors in copying figures are avoided.

Carbon sheets come already attached. A flick of the wrist separates them from completed forms without smudging fingers or records. *More time saved!* For greatest safety, the check original of the Blue Streak Voucher set is produced on Protod-Greenbac paper. Its exclusive features defy alteration and forgery, and insurance guarantees this protection.

Expensive? Not at all. You will be pleased at the low cost of Blue Streak Vouchers. Send for samples, prices and your free copy of a time-and-money-saving booklet, "Disbursement Procedure Simplified." Mail the coupon.



Todd
COMPANY, INC.

ROCHESTER NEW YORK
OFFICES IN ALL PRINCIPAL CITIES

THE TODD CO., Inc., Rochester, N. Y.
We want to simplify and safeguard our accounts payable routine. Please send a Todd Blue Streak Voucher set and a copy of the booklet, "Disbursement Procedure Simplified."

Company name _____

Address _____

City _____ State _____

By _____

BW-10-25



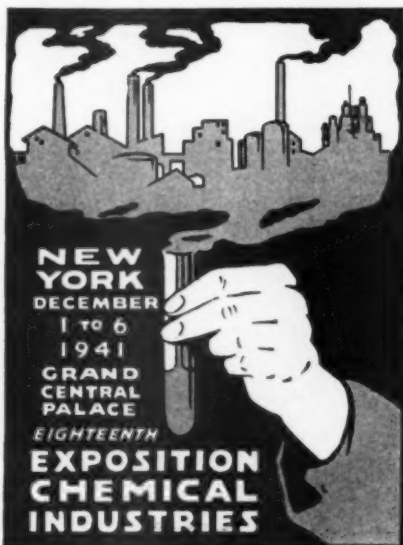
Busy executives, chemists, engineers and purchasing agents are looking for suppliers who can deliver materials to substitute for vanished stand-bys, for help in solving problems of procurement and production.

The logical focus for such information is this year's Exposition of Chemical Industries. Here more than 300 exhibitors will show their products, demonstrate them, maintain specialists eager to help solve problems in their fields of experience. Nowhere else can you and your men make a comparable number of important contacts at so little expense and with such economy of time.

Exhibits, occupying three complete floors of Grand Central Palace, will include the latest and best products of the leading manufacturers serving the process industries. They, who are as busy as you are, will devote their time and money to showing other manufacturers how they can help speed production for defense.

Take this opportunity to advance the interests of America, your industry, your business and yourself. Be sure to come and to send your executives and department heads.

**DEDICATED TO SPEEDING UP AMERICA'S
INDUSTRY FOR THE DEFENSE PROGRAM**



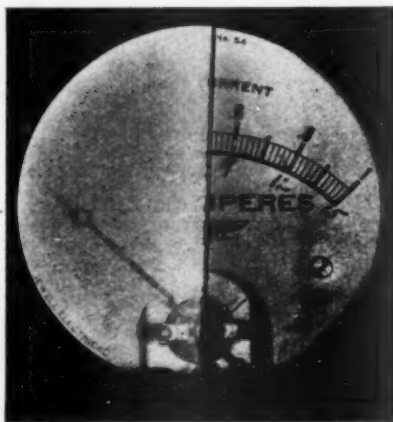
Managed by International Exposition Co.

68 • Production

NEW PRODUCTS

Reflection-Free Glass

When light slants across show windows, framed pictures, instrument faces, and other surfaces protected by glass, there are likely to be glare streaks and reflections which reduce visibility to the vanishing point. But if glass surfaces are treated by the new RCA Anti-Reflection Process (as was the glass in the right-hand half of the pictured instrument), glare and reflections disappear, and more light is transmitted. As de-



veloped in the laboratories of Radio Corp. of America, 30 Rockefeller Pl., New York, glass is exposed to weak hydrofluoric acid vapor which etches away an infinitesimal layer of the surface, leaving in its place a thin reflection-free film of calcium fluoride with a thickness approximating a quarter-wave length of light. Tests show the film "withstands hard rubbing, that it can be washed with water, alcohol, and a number of other solutions, and can be subjected to relatively high temperatures."

Circular Wash Fountain

The ten individual sprayheads on the new Mercury Industrial Group Wash-fountain are equally spaced around the inside edge of its large bowl and are said to spray pre-tempered water splashlessly away from users. Each sprayhead is controlled by a flat metal pad against which the user leans his leg, or by other valve systems if desired. Standard Washroom Equipment Co., 1000 S. Niagara St., Saginaw, Mich., is the maker.

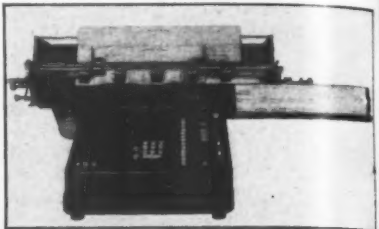
Paper Protection

Valuable letters, records, and other papers subjected to frequent handling can be almost invisibly covered with Protecto-Phane, an extra thin new cellulose acetate film which is sweatproof, greaseproof, and washable. It is processed by Protecto-Phane Products, Guttenberg, N. J., in a dull matte finish on which

pencil notations may be made and erased. It comes with an adhesive coating on one side, ready for instant use.

Payroll Machine

Newest development of Underwood Elliott Fisher Co., 1 Park Ave., New York, is the Sundstrand Payroll Accounting Machine. A special aligning device



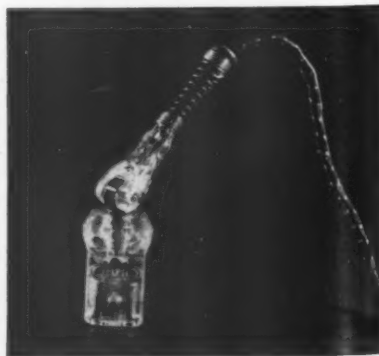
eliminates manual adjustment of the earnings record, pay statement, pay check, or other forms. A "carbon bracket" eliminates the use of loose carbon paper. If deductions for Social Security, group insurance, etc., exceed earnings, another automatic device voids the check. When the machine is not preparing payrolls, it may be used as a 10-figure-keyboard adding machine.

Level Indicator

When a new U.C. Level Indicator is screwed into the faucet opening of a standard steel drum before the faucet is screwed in, its dial will tell at all times whether the drum is full, empty, $\frac{1}{4}$, or $\frac{3}{4}$ -full. It is made by the U.C. Level Indicator, 624 E. Locust St., Milwaukee.

Transparent Connector

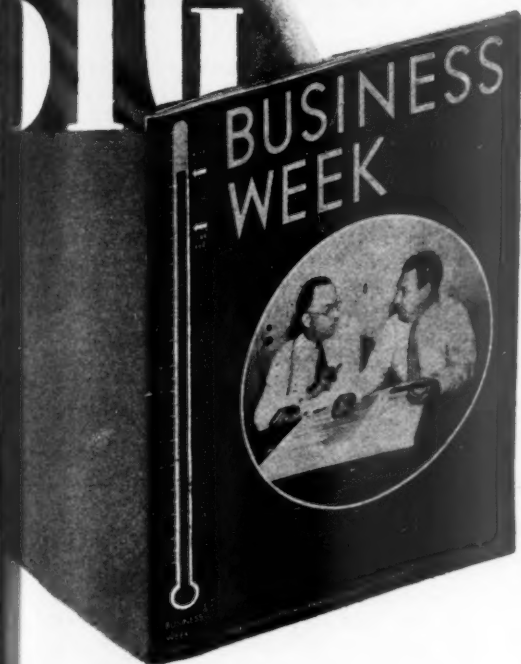
To assist dealers in across-the-counter demonstrations, Davis Mfg. Co., 235 W. Lee St., Plano, Ill., is producing its new "Wrist Action" Ironing Cord Set



in transparent du Pont Lucite plastic. The swivel plug swings freely in all directions, preventing the bending and kinking which raises hob with cords attached to irons, toasters, coffee makers, and other electric appliances.

Business Week • October 25, 1941

BIG is a magazine?



coming changes . . . the impact on Business of domestic and foreign policies . . . the all-important moves and moods that pace the progress of Defense.

Business is not 'as usual' any more. But — whatever its course or its destiny — its news will be searched out and swiftly reported by Business Week to the group of men it serves.

Compact and powerful . . . this group swings an influence out of all proportion to its size. Even as did David . . .

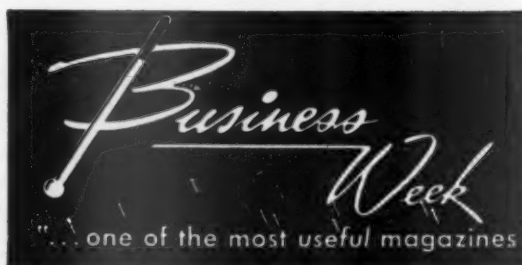
And even as does Business Week!

*Test after test shows three extra Management-readers per Business Week subscriber. This total reader audience of more than 400,000 of the biggest buyers in business is a major reason for Business Week's advertising bigness. It ranks No. 5 among all magazines in advertising pages carried . . . gained more pages in 1941's first eight months than any magazine of any kind!

audience . . . more purely packed with Management-men than any other . . . is perhaps the most influential single group in America, and the key men who make it up wield the decisive OK on ideas (and on orders!).

Vital to the country's economy in time of peace, the importance of these men is emphasized when the big word is Defense. And Business Week's usefulness goes up in like proportion!

For, Business Week reports a kind of news alert Management needs to know. The good business news and the bad . . . the trends and



FINANCE

Earnings Still Up

Despite increasing tax reserves, reports for third quarter show continued rise in profits for most companies.

Mounting taxes still haven't been able to arrest the rising trend of industrial earnings. Uncle Sam's bite, to be sure, is holding the net income of some companies at about the same level as a year ago despite largely increased earnings before taxes, and it is playing a big part in a few reductions. Yet, for a big majority of companies, the trend is still upward.

• **Gains Are General**—The tabulation below shows that 21 out of 26 large, representative companies thus far reporting did better in the first nine months of 1941 than they did in the same 1940 period—although a couple of them gained by the slimmest of margins. For the third quarter, 22 of the 26 reported gains over 1940.

General Electric and du Pont, the two companies in the list with the largest net earnings, are conspicuous examples of concerns that are finding it next

to impossible to carry better operating results over into income available for dividends. G. E. estimates its taxes for the nine months at \$82,000,000, considerably more than double its net earnings, compared with \$26,900,000 for the same period last year. Du Pont, similarly, set aside \$74,400,000 for taxes out of nine-months' income, the tax bill amounting to about \$10,000,000 more than was available for the common stock in the period.

• **Other Cases in Point**—Johns-Manville and Hercules Powder present examples fully as striking when taxes are contrasted with earnings, yet both still are showing pretty substantial gains in net income. Hercules had net of \$4,356,632 for the nine months after setting up tax reserves of \$9,112,441 against a net of \$3,744,236 after \$2,901,498 in taxes for the same period last year. This company's tax reserve for the third quarter was \$4,396,698 against \$1,779,545 a year ago, but it still boosted net income to \$1,525,442 against \$1,470,763.

Johns-Manville reports \$4,488,984 in earnings for the nine months after allowing \$8,806,643 for taxes against net of \$3,526,325 in the 1940 period. The third quarter results, however, were pulled below 1940 by a deduction of \$4,211,978 for taxes whereas the tax

**BANKERS
for
INDUSTRY**

• IN CENTRAL NEW YORK STATE

IN CENTRAL NEW YORK STATE

It's the
**FIRST TRUST
& DEPOSIT COMPANY**

SYRACUSE, N. Y.

Member Federal Reserve System
Federal Deposit Insurance Corporation

reserve against the same 1940 quarter was only \$1,416,974.

• **Doubling Earnings**—Such comparisons could be carried on indefinitely, but it's somewhat less painful to talk about the striking gains than it is about the tax reserves. Thus it is interesting to note that two companies, Budd Wheel and Truscon Steel, were able approximately to double their net incomes for the nine months, and Sharon Steel turned in a gain that wasn't very far behind.

Quarterly earnings, of course, are much more erratic than those for longer periods in which the fluctuations are more or less ironed out. Even so, it is worth at least passing mention that no fewer than half a dozen of these 26 companies were able to show gains ranging all the way from about 75% to as much as 800%. All of which indicates pretty clearly that, even though a lot of companies may have to make some extra provisions for taxes at the end of the year, the results for American industry in 1941 aren't going to look so bad.

The Earnings Record

Just how much of today's record-breaking business volume is being turned into net earnings continues one of the most interesting of all financial topics. The following tabu-

lation shows the results chalked up by a representative list of corporations which have reported thus far for the nine months and the quarter ended Sept. 30, with 1940 comparisons:

	9 Months' Net Income		Third Quarter Net Income	
	1941	1940	1941	1940
American Brake Shoe.....	\$2,245,541	\$1,856,489	\$766,201	\$629,853
American Chicle.....	2,711,894	2,750,059	906,567	850,514
Atlantic Refining.....	9,165,000	6,560,394	4,103,457	1,295,628
Bayuk Cigar.....	1,136,074	1,459,444	371,593	582,308
Budd Mfg.....	1,754,832	1,064,353	447,361	99,001
Budd Wheel.....	1,056,490	577,057	351,617	182,612
Caterpillar Tractor.....	5,873,698	5,486,636	1,575,158	1,977,122
Continental Baking.....	1,749,628	2,106,167	495,694	781,267
Corn Products.....	7,362,376	6,069,016	2,483,735	1,661,292
E. I. du Pont*.....	64,600,000	64,200,000	24,700,000	21,100,000
Eaton Mfg.....	3,100,851	2,722,850	1,121,087	814,502
General Cigar.....	1,018,836	930,161	425,256	356,099
General Electric.....	37,471,681	37,094,776	11,468,016	11,113,204
Hercules Powder.....	4,356,632	3,744,236	1,525,442	1,470,763
Howe Sound.....	1,282,178	1,403,903	589,150	436,222
Johns-Manville.....	4,488,984	3,526,325	1,470,183	1,638,312
Kimberly-Clark.....	2,209,580	1,886,275	852,760	512,624
R. G. Le Tourneau.....	2,216,887	1,458,992	603,139	306,949
Magma Copper.....	1,117,389	754,808	317,247	37,221
Mathieson Alkali.....	1,428,571	1,250,240	431,226	422,700
National Malleable.....	1,345,669	931,214	402,099	312,457
North American Rayon.....	1,172,248	1,297,039	399,308	380,583
Sharon Steel.....	1,226,140	754,878	412,899	365,975
Truscon Steel.....	1,524,108	695,953	302,062	363,293
Warner & Swasey.....	3,484,915	2,805,775	1,181,482	668,855
Worthington Pump.....	2,081,672	1,543,473	771,814	464,551

* Earnings computed from preliminary report revealing only per-share earnings.

"Rights" in Doubt

Treasury's taking over of agency bond issues may abolish subscription privileges, thus hitting institutional investors.

With government expenditures mounting toward \$2,000,000,000 a month (\$1,882,011,296 in September and climbing rapidly) and exceeding receipts by 60% to 70%, the Treasury Department is looking around for further possible sources of funds. Total gross debt of the United States, \$51,346,407,110 at the end of last month, shows no signs of hitting a ceiling. And many are the methods urged for adding to the total debt in order to raise the cash required for the defense effort.

Treasury experts must figure out just

what type of securities are in demand. They must concern themselves with increasing demand as well as supplying it. They have used newspapers, magazines, and radio to advertise baby bonds and defense savings bonds and stamps. For a more specialized demand, tax-prepayment notes have been offered for purchase by individuals or corporations to meet 1941 and 1942 federal income taxes. More than \$5,000,000,000 of the U. S. Savings Bonds and about \$1,343,000,000 of the tax notes were outstanding on Sept. 30.

• **Borrowing for Agencies**—Acting on the theory that the Treasury can borrow a bit more cheaply than the federal agencies whose debt is guaranteed by the government, Secretary Morgenthau last week announced that he intends to take over the borrowing for these agencies. Thus the Reconstruction Finance Corp. and the Commodity Credit Corp. and the United States Housing Authority, to name a few, will not appear in the money market hereafter.

That raised an interesting problem. If Secretary Morgenthau pays off their issues in cash as they mature, then the holders won't necessarily be allowed to subscribe to new Treasury issues, dollar for dollar, to the extent of their holdings of agency obligations.

• **Worth Money**—In the past, this right to subscribe has been worth money. Figuring that the new issues would go to a premium, people who wanted to be sure to get some of the new bonds would pay a premium for a block of the maturing issue. Thus, until last week, the \$300,000,000 of RFC 7½% notes that mature Nov. 1 and the \$204,000,000 of CCC 1% notes falling due Nov. 15 had been anywhere from 1% to 2% above par on the expectation that they would get "rights" on the refunding issues.

But the Treasury Secretary's plans shook a good bit of the "right" value off these issues, and it also stirred fears that he may pay off Treasury issues in cash, ending the old system of rights for existing holders altogether.

• **Institutional Investors**—This would create quite a problem for institutional investors, who always have figured that they could replace maturing bonds simply by turning them in for a like face amount of the refunding issue, thereby avoiding any reduction in the amount of their earning assets. If the "rights" were to be done away with, they would have to enter subscriptions on the new issues without any certainty of whether they would be allotted more or less than they wanted.

As the Treasury ponders its financial problems it naturally gets advice from interested spectators. Some people advocate the sale of bonds of the "consol" type without any stipulated due date but callable, at the government's option, after a specified lapse of time.

Making A MILE of Ladders a day



HERE'S a clever Yankee trick—a New England concern mounts twenty standard Delta drill presses in a row for drilling rung holes in ladders... and production soars to a mile of ladders a day!

This is but one of many thousands of cases where standard DELTA-Milwaukee tools have been adapted for special production problems at a fraction of the cost of building special-purpose machines.

Delta machines are ideal for such adaptation because they are accurate, flexible and low in first cost.

Delta drill-press heads, for instance, can be purchased separately and used for building any number of special set-ups. The new Delta Cut-Off Machines can be used for a large variety of operations heretofore not handled by machines of this type. Delta Belt Abrasive Finishing Machines are being ingeniously adapted for automatic polishing machines.

If you are concerned with production problems of any kind it will pay you to investigate the money-saving possibilities of Delta machines.

SEND FOR CATALOG

which describes the complete line of DELTA-Milwaukee low-cost high-quality machines and illustrates how many branches of industry are utilizing these machines to speed up production and reduce costs.

The Delta Manufacturing Co., 923 E. Vienna Ave., Milwaukee, Wis.



DELTA MILWAUKEE

World's largest manufacturers of low-cost, high quality drill presses
• grinders • abrasive finishing machines • cut-off machines • circular
saws • band saws • scroll saws • lathes • jointers • shapers

THE MARKETS

Commission-starved bond traders on the New York Stock Exchange got a windfall this week as the result of a very unusual transaction. American Telephone & Telegraph Co., which offered \$233,584,900 of 3% convertible debentures to its stockholders (BW—Sep. 6 '41, p. 56), decided to sell on the listed markets the \$10,839,700 of the issue which was not subscribed to by shareholders. In the past, when holders failed to exercise the rights to buy securities in such an offering, it has been customary either to cancel the unsubscribed portion of the issue or to sell it to underwriters for public offering.

• **Whose Idea?**—Just who first had the bright idea of handling the marketing through the "bond crowd" on the Big Board is not being revealed, although there is a very strong suspicion that the Securities and Exchange Commission may have asked the company why it didn't give the thing a try. And there would be no surprise if the conversations of Emil Schram, New York Stock Exchange president, with the SEC about how to increase listed business were found to have influenced the SEC to make the suggestion.

In the low state to which bond trading has fallen on the Big Board, this block of A.T.&T. debentures was just about equivalent to two normal days' volume. Inasmuch as the sales by the company were largely completed on Monday and Tuesday, it meant adding roughly \$5,000,000 par amount of these debentures to daily transactions. The result was two consecutive days in which the bond crowd turned over more than \$10,000,000 of bonds.

• **Extra Money**—Commissions paid by A.T.&T. on the business came to just 75¢ less than \$27,100. That was a nice little piece of extra money for the bond boys and, at the same time, it constituted a very pretty deal for American Tel. & Tel. The company got between \$111 and \$112 for each hundred dollars of bonds sold (it had allowed stock-

holders to buy at par), and it paid a commission on the sales which probably was not more than one-third what underwriters would have asked. (The Big Board's commission is \$2.50 for a \$1,000 bond.) Outside of this A.T.&T. deal, there was little about trading in securities to distinguish this week's markets from the humdrum affairs typical for some time past.

• **Lead Pool**—Stricter rationing than ever in copper was launched by the Priorities Division of OPM, and that body also ordered lead producers to begin stocking the emergency pool next month to the tune of 15% of production from domestic ores. This marks the first time that the pool device has been undertaken in lead (it long has been utilized in zinc, and has been for some time in copper), although a lead pool was promised when the metal was put under full priority control a fortnight ago.

The pig lead and lead concentrates the United States has been getting from Australia have been shut off. This lead now is being routed to Vladivostok.

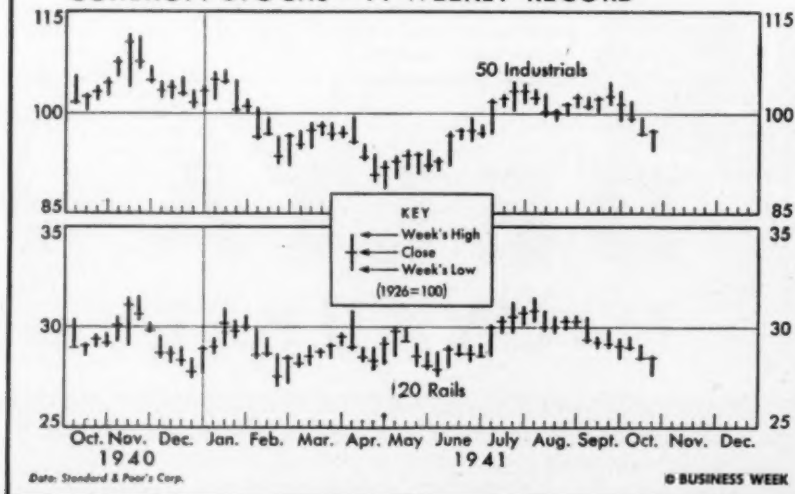
Prices of farm products were bolstered by Secretary Wickard's testimony on the price-fixing bill to the extent that he said he did not think prices had yet gone too high. However, his help to the markets was limited by the fact that he also said he believed that there should be a ceiling at 110% of parity.

Security Price Averages

	This Week	Week Ago	Month Ago	Year Ago
Stocks				
Industrial ..	97.6	97.1	102.7	103.2
Railroad ...	28.5	28.5	29.2	29.4
Utility	41.8	42.7	44.5	59.7
Bonds				
Industrial ..	105.2	105.4	105.3	102.3
Railroad ...	84.7	85.0	83.7	86.6
Utility	107.1	107.2	107.0	106.1
U. S. Govt.	112.0	111.8	111.2	108.9

Data: Standard & Poor's Corp. except for government bonds which are from the Federal Reserve Bank of New York.

COMMON STOCKS—A WEEKLY RECORD



COMMODITIES

Copper Decree

New restrictions on use are strictest yet issued for any metal. Bonus is posted for Michigan high-cost producers.

Copper this week was moved to the top of the list as the product about which the defense production experts are most worried. First action marking its critical importance was issuance of a new priority order governing allocations of copper and brass, which was the strictest issued so far governing any metal. Second was the posting of a nice bonus to bring out the copper that can be mined in Michigan—at a price.

The new allocation order (numbered M-9-c) cuts use of copper in a long list of civilian applications, and it promulgates for the first time a definition of necessary inventory. Upon this definition OPM's Priorities Division apparently is going to work. One of the order's paragraphs—none too prominently displayed—says that no manufacturer shall accumulate copper or its alloys in raw, semifinished, or finished form in excess of "a minimum practicable working inventory." Then it goes on to say that this working inventory shall in no event be more than the amount necessary "to maintain operations for 60 days."

• **Hidden Inventory**—Donald M. Nelson, Priorities Director, has long been threatening to confiscate hidden inventory. He is recruiting a corps of investigators (page 17) to check up on compliance with priorities. They're now provided with a yardstick to use just as soon as he decides to turn them loose on a stock-taking in copper.

The cut in use of copper in articles enumerated in the order amounts to 60% of a 1940 base period for the remainder of this year and these items are to be shut off entirely after Jan. 1, next. Articles which are not on this list and are not specifically exempted are to be pared to 70% for the rest of the year.

• **Two Yardsticks**—Two options are permitted in computing the basic percentage for items on the proscribed list. A manufacturer may use, between Oct. 15 and Dec. 31, 1941, either (a) one-half the amount of copper or copper-base alloy used in the final three months of 1940, or (b) one-eighth of the total amount of copper or alloy used in 1940.

Lines hardest hit by the list include nonessential automotive equipment, building supplies and hardware, burial equipment, dress accessories, house furnishings and equipment, jewelry and novelties, and a miscellaneous category

of such items as beauty parlor and barber shop supplies, bicycles and motorcycles, chimes and bells, fire extinguishers and fire-fighting equipment (all non-functional parts), lanterns and lamps, livestock and poultry equipment, photographic equipment, radios, stationery supplies, and toys.

• **Specific Exemptions**—The specific exemptions include (1) all the governmental agencies classified as defense and lease lend, (2) uses necessary to comply with underwriters' regulations and safety regulations, (3) conductors of electricity to the extent necessary to further the defense effort and provide for civilian welfare, (4) use in chemical plants where needed to prevent corrosion, (5) requirements in research laboratories where substitution is impossible, (6) use as condenser tubes, heat exchanger tubes, and tube sheets in oil refineries and in steam and electric generating plants wherever necessary to prevent corrosion, and (7) use in ships other than pleasure craft where corrosion makes use of any other material impracticable.

Manufacturers of articles which are neither on the proscribed list nor in the exempt categories may continue to use copper in the period from Oct. 16 to Dec. 31 at the rate of 70% of consumption for manufacture of such articles in the last three months of 1940 or 17½% of the total amount used in the year 1940.

• **Alloys Affected**—The order applies to copper and all its alloys in which the copper by weight equals or exceeds the percentage of all other metals. Any person who feels that compliance with the order "would work an exceptional and unreasonable hardship upon him, or that it would result in a degree of unemployment . . . disproportionate compared with the amount of copper conserved, or that it would disrupt a program of conversion from nondefense to defense work may appeal to the Director of Priorities, Ref: M-9-c, Office of Production Management, Social Security Building, Washington, D. C."

In an effort to boost domestic production of the red metal above the expected 1,050,000 tons in 1942 (imports are scheduled to add about 600,000 tons next year), the government is signing special procurement contracts with three Michigan companies, Quincy, Isle Royale, and Copper Range.

• **Price Arrangement**—These agreements provide for a price which will cover out-of-pocket expenses (before depreciation and depletion) plus 1¢ a lb. profit. The arrangement also allows a boost in expenses to raise miners' wages \$1 a day.

Bonuses of 3¢ and 4¢ a lb. to the Michigan companies follow action giving certain western mining properties a 1¢ margin over the ceiling quotations. The hope is that the high-cost producers thus favored can add between 5% and 10% to domestic output in 1942.



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INSURANCE

Rebates Aired

Casualty insurance reforms foreshadowed by findings made in New York State investigation of workmen's compensation.

Some important changes are promised in the field of casualty insurance. And they may be hurried along by such things as last week's report resulting from a special investigation of workmen's compensation as it is written in New York State—a report that reached the public simultaneously with the announcement that several companies had been fined for irregularities in the rates they have been charging.

The story is a familiar one to insurance men. It's one of bitter competition. In general, the competing camps are the capital stock companies which are members of the National Bureau of Casualty and Surety Underwriters, the stock companies which are not members of the Bureau, and the mutual or participating companies. The situation is further complicated in New York by the nonprofit State Insurance Fund for carrying workmen's compensation, and by the fact that big industrial concerns all over the country self-insure for contingencies such as employee's chances of being injured or contracting occupational diseases.

• **Criteria for Rates**—Theoretically, all the companies are bound to abide by the rates prescribed by all states that have rating rules. They also subscribe to the "manual rates" (published by the National Council on Workmen's Compensation for non-regulated states).

But that's just where the fun begins. The participating companies stick to the manual, but they enjoy a competitive advantage by reason of the dividends they pay to policyholders out of profits. They also shave cost of acquisition by selling through paid employees rather than brokers and agents.

The stock companies attempt to meet the mutuals by having their agents render the best service possible to the assured so that the insurance buyer gets something more for his money than just plain coverage. Both stock and mutual companies use the "retrospective rating plan" on interstate risks to permit the assured to pay premiums geared to his past record of losses. In addition, the National Bureau of Casualty and Surety Underwriters has its "equity rating plan" which was devised to give a sort of weighting to past records of losses and which is used in varying

degrees by both Bureau and non-Bureau stock companies.

• **Background for Report**—Add all these things up, mix in the inevitable possibility of human frailty or outright duplicity, and you have the background for the report on rates on workmen's compensation in New York State. There are about 70 domestic and foreign companies licensed to do such business, along with the state fund.

The investigators looked into the business of 17 companies, examining the books of 106 risks selected from "a great number of particular assureds." For 22 of the insured firms there was no variance from true payrolls. But for the other 84, the report declares, in a period of 2.7 years, payrolls reported were \$7,485,632 when they should have been \$13,938,983. Additional premiums should have been collected in the amount of \$487,318, the study concludes.

• **Careless Auditing?**—In some cases, the investigators felt that the companies had been careless in auditing the books of the employers they had insured. In others, it may have been that an underpaid auditor for the insurance company was indifferent or dishonest. In still others, the companies may have accepted intentionally reduced payrolls to permit the assured to pay lower premiums.

Writing insurance for companies doing an interstate business is hardest to police. The company that has to meet rate competition can follow the letter of the rules in states with rating specifications and then cut the premium to virtually the vanishing point in unregulated states in order to make the total come out to an agreed percentage on total payrolls.

• **"Everybody Else Does"**—These observations give only a glimpse of the rate practices which the report cites, backing up charges with specific instances. It is noted that the companies plead that "everybody else does it" and that they assert that they have not done anything New York State can discipline them for by adjusting rates in unregulated states. But New York is undertaking to uphold the position that rebating is rebating, no matter what the disguise.

One of the results of the investigation will almost certainly be the formation in the Rating Bureau of the State Insurance Department of a unit to examine underwriting practices (in other lines as well as compensation). Much less certain of success is the recommendation of the investigators that a nonpartisan national body, representing both participating and nonpar com-

panies, be formed to make "a study of the entire rate making and rate administration situation in all states in workmen's compensation . . . and to assist in the regulation of rates in all states."

• **Campaign for Reform**—Meanwhile, it should be noted that the rate practices criticized are not of the companies' desiring. At the recent joint convention of the International Association of Casualty and Surety Underwriters and the National Association of Casualty and Surety Agents, the president of the former touched off a campaign for reform in stock company costs and practices. The speaker, John A. Diemand, put forward a platform for meeting competition of the mutuals when he suggested broader coverage at the lowest price, reduced expense ratios, fewer and better agents, participating dividends, and all-risk covers for fire and casualty lines. Mr. Diemand's words carried particular weight because his company, the Insurance Company of North America, has taken preliminary steps toward writing policies on a mutual basis.

Common Stocks?

Widely varied viewpoints on future of life insurance company investments are in evidence at New York State hearings.

Whether regulations governing life insurance company investments are to undergo a radical change to permit ownership of common stocks will depend in no small measure on the attitude of New York State, in which several of the largest companies are domiciled. For that reason, a great deal of interest this week attached to hearings opened before that state's legislative committee studying recodification of the insurance laws.

• **Divergent Opinions**—At the very outset statements went into the record that clearly reflected a wide range of viewpoints. John W. Stedman, vice-president of Prudential, would approve only very limited common stock holdings. Sumner T. Pike, for the Securities and Exchange Commission, regards common stock investment as an essential to the future health of the life companies. And Lewis W. Douglas, president of the Mutual of New York, agrees that there is a distressing shortage of investments other than government bonds, but urges the most careful investigation before authorizing such a far-reaching change.

Mr. Pike, pointing to the inability of the life companies to earn the rate of interest upon which the return on their older policies was computed, declared that "many high-grade common stocks are safe, sound, and sane investments."

BUSINESS ABROAD

Canada Gets Ceilings Up First

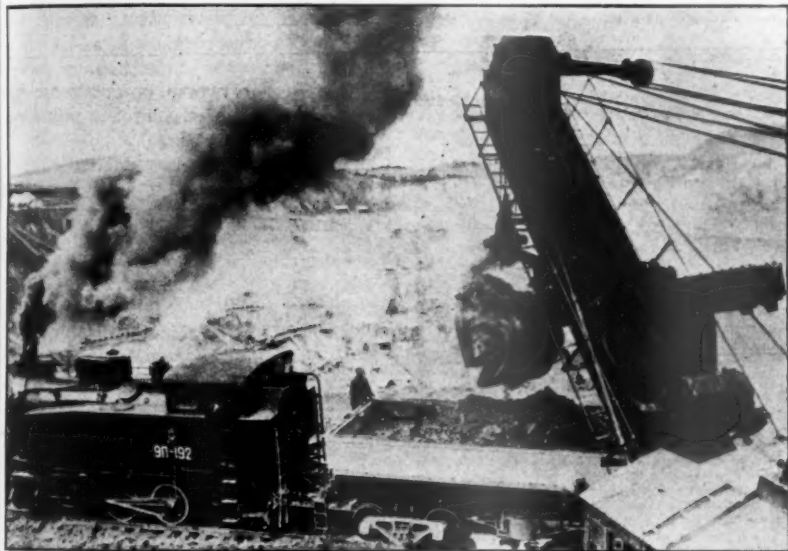
All-over control of Dominion prices and wages is timed with Premier's eye on country's strategic position in Anglo-American war cooperation. Raises many problems at the border.

Canadians listening to Prime Minister Mackenzie King's broadcast last Saturday switched off their dials with the grim realization that they had heard the announcement of complete controls for the Dominion's war-time economy. Most revolutionary are the universal ceilings for wages and the price ceilings on everything (BW—Oct. 18 '41, p. 77) which go into effect on a month's notice.

• **Lead to Washington**—These anti-inflation measures are characterized by Business Week's Ottawa Bureau as the stiffest "economic regimentation yet attempted in any democratic country." Wage ceilings (and bonuses geared to living costs), already in effect in war in-

dustries (BW—Jul. 19 '41, p. 14) will be extended to cover all industry Nov. 15; price ceilings will be set Nov. 17. Canada applies this bitter dosage while Washington is trying to decide what to do about inflation symptoms. But the move was made before there was time to establish a mechanism for handling details and important Canadian-U. S. problems are left in the air.

Insiders at Ottawa understand this much about the timing: The wily Prime Minister is pursuing his ambition to have Canada set the pace for North America in this man's war, with himself carrying the ball. He considers this the best assurance of maintaining the position he has chosen for the Domin-



FOR USE IN EMERGENCY

When Russia lost its iron-ore mines in the Ukraine to the Germans, evacuated technicians were rushed to the Ural Mountains, about 1,000 miles east of Moscow, to speed production in the Soviet Union's comparatively new producing field around Magnitogorsk (BW—Jul. 19 '41, p. 62). Always fearful of an attack from Europe, the Bolshevik régime long ago planned a great industrial zone built around iron ore from the Urals and coal from

the huge Kuznetsk field some 1,200 miles further to the east. Iron ore is excavated in the Urals (above)—which have enough to supply Russia for years—and ore and pig iron are sent to Kuznetsk. Kuznetsk sends back coal for Magnitogorsk's great steel mills and factories. The Ural-Kuznetsk field now accounts for 25% to 35% of Russia's coal and iron production, may be turning out an even larger share as war continues. The Urals have some of the most up-to-date machine-building plants in Russia.

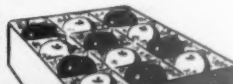


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ion—that of the vital war link between Britain and the U. S.

• **Political Strategy**—Critics in Canada scoffed that King had "missed the boat" when Roosevelt and Churchill met for their North Atlantic conference and undertook to fuse the war efforts of the two countries without him. Sneers changed to admiration of the fancy footwork that followed. Exclusion from the Franklin-Winnie confab was the signal for King's bomber hop to London, his appeal from that vantage point for the U. S. to line up with Britain.

But to make his plea to the U. S. valid, King figures he must keep Canada out front in every North American maneuver against Hitler. That determination is evident in the new moves for 100% economic regimentation. Evidently King believes that Washington must come ultimately to total controls. And when it does Mackenzie King and Canada will cash in on the credit for pointing the way.

• **International Problems**—Meantime, Canadians are wrestling with grave questions: How is this policy of quick-freezing prices and wages to be maintained in the Dominion if prices and wages remain unfrozen in the U. S.? What is the impact of this independent Canadian action on the Hyde Park agreement for coordinating production with the U. S.? By what means are frozen selling prices to be maintained when half a billion dollars worth of goods are imported from the U. S. at free prices prevailing below the border, and when a free market at probably higher prices is open to a half billion of Canadian goods in the U. S.? Will Washington make Prime Minister King's sensational anti-inflation policies workable in Canada by adopting these policies for the rest of the continent?

In short what Canadians are most anxious to know is whether their country is being made the economic guinea pig (or goat) for the rest of America, with the approval of Washington. They have been assured that the International Joint Economic Committee is striving to mesh the war drives of the two countries. Unless Prime Minister King has reasons to believe that Washington will follow his lead, he must take responsibility for tossing a monkey wrench into the coordination gearbox.

• **Covers Everything**—After the Nov. 17 deadline the cost of dying as well as the cost of living will be frozen in Canada. Undertaking and embalming are among the services placed under the price ceiling along with electricity, gas, water, heat, telegraph, telephone, freight and passenger transportation, harbor and pier servicing, warehousing, laundering, cleaning, tailoring, dressmaking, hairdressing, plumbing, decorating, and the supplying of meals, refreshments, beverages.

All goods as well as services are in-

cluded. The ceiling will be the maximum prices or rates charged during the four weeks from Sept. 15 to Oct. 11 of this year. Wage ceilings will be the maximums paid during the base period of 1926-1940, with subnormal rates in those years subject to upward adjustment.

Among the points that remain to be clarified is the method by which the cost of commodities imported from free markets for processing and resale in Canada is to be adapted to the selling-price ceiling. Also unexplained is the process by which Canadian products required for war purposes will be prevented from escaping from the home market to higher prices in the U. S.

• **Board Overruled**—Clashing interests and ideas caused the soft-pedaling of such details. Since the war started, price control end of anti-inflation activities has been under the Wartime Prices and Trade Board. This board opposed universal price ceilings, mainly because of the difficulties in applying controls to import and export trade. Overruled by the stern anti-inflationists of Finance Minister Ilsley's department, the Wartime Prices and Trade Board has been handed the job of administering the policy it opposed.

Agricultural and labor groups couldn't be overruled, they had to be appeased. Farmers are encouraged to accept ceiling prices on their products by concessions. Eastern farmers get free transportation of feed grains from the west. Westerners will receive new bonuses on tilled acreage (as a substitute for the dollar wheat they have been demanding). There will be minimum prices on some products. Labor's distaste for wage ceilings is soothed by assurances of bonuses to cover increases in the cost of living and by elasticity in the base rates which allow upward adjustment of "subnormal wages."

• **Big Administrative Job**—In justification of his hard-boiled anti-inflation move, Prime Minister King quotes U. S. Treasury Secretary Morgenthau's charge—that only the profiteer, the speculator and the hoarder gain from inflation. The Premier's aims are both point blank and long range; to conserve resources for war purposes, to keep down the war costs, to preserve national income for war financing, to equalize the war burden, to combat post-war depression.

Administration is going to be a whale of a job. The Wartime Prices and Trade Board had trouble finding key personnel for a licensing office of only a few hundred people. Now it must organize a group for controlling all prices and employees, will run into the thousands. It is admitted that personnel must be taken from other useful work to enforce the price ceilings. At the outset Ottawa will depend on voluntary cooperation by business, plus the fear of future penalties.



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Reich Labor Gap

Ministry's figures reveal 1,500,000 job vacancies in spite of employment of foreign civilians. Women go into industry.

BERLIN—The extent to which the hard-fought Russian campaign has affected the Reich's military manpower remains a tightly-held official secret, but the strain on the labor front has been revealed in figures. According to the labor ministry's latest totals, there are only 10,000 unemployed; labor exchanges report 1,500,000 job vacancies.

Insatiable war production has caused the demand for labor to leap far ahead of supply despite the employment of nearly 2,000,000 foreign civilians from 20 countries that have been absorbed into the Nazis' European economic pattern. With the limits of manpower thus strained, woman power remains as one of the few remaining reserves.

Expansion still is possible in this category although more than 1,000,000 women have been added to payrolls since the war's start. According to the labor ministry, 134,000 women were summoned during August and assigned to industrial or other employment.

Employees within Greater Germany holding the "workbook" is put at 36,000,000. It is claimed that the registry of workers has been a great aid in controlling industrial mobilization.

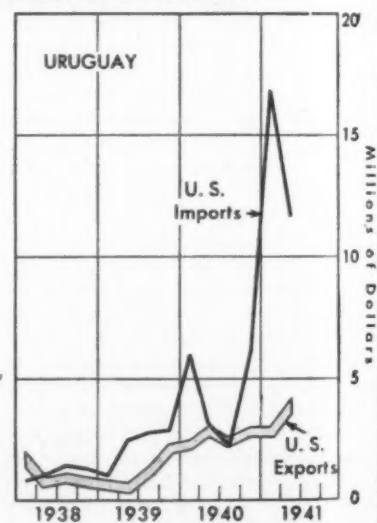
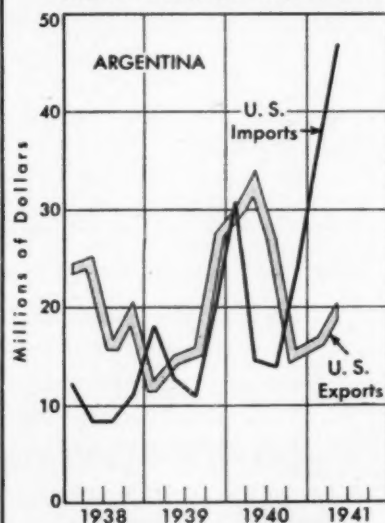
The fact that 5,000,000 persons changed their jobs through the labor exchanges during the first half of 1941 may give foreigners an incorrect suggestion of independent itinerancy. The shifting of jobs is regulated, with no one permitted to change employment unless he has the government's O.K.

Nazis cite this reshuffling of jobs as giving convincing proof of the elasticity of their economic forces. Just as on the war front, there are wholesale shifts of labor reserves to this or that industrial sector where emergencies develop.

• **Nazi Bank Opens in Paris**—The week's most significant development in the business organization of occupied countries was the opening of the first Nazi bank in Paris. This is the Aerobanque Société Anonyme, established by the Deutsche Bank für Luftfahrt and the Berliner Handels Gesellschaft for financing the French aviation industry.

The establishment is believed to indicate closer "cooperation" between German and French aviation manufacturers. It follows similar steps taken previously for the coordination of automobile production by France and other European countries, under the direction of Berlin.

NEW TREND IN LATIN AMERICAN TRADE



"Good neighbor" trade took a favorable turn last week when Argentina and the United States signed a reciprocal trade pact. Delayed for several years by Washington's inability to accept larger quantities of Argentine farm products because of our own surpluses, the new pact became a natural when huge wartime purchases of

wool and hides boosted American imports from the Argentine far ahead of exports to our southern neighbor and removed one of Buenos Aires' most serious objections to the pact. A new trade agreement with Uruguay, where the economic problem is much the same, is likely to be signed in the next few weeks.

PROFIT & LOSS

No Fooling

This was No False Alarm Week in New York City.

Getting Shorter

From Pittsburgh last week came rumblings of another approaching shortage—and one which is going to sound like Armageddon to a lot of young parents. Pittsburgh's Infant Di-dee Service announced that its allotment of diapers had been cut by priorities on cotton—used in the manufacture of explosives.

And in Philadelphia the fashion director of Lit Brothers store told the Philadelphia Club of Advertising Women that they would all probably be wearing longer skirts pretty soon because of the need to conserve materials for defense. This is supposed to come about because skirts are going to be made narrower to save material—which will mean that they have to be made longer so they'll still be modest. (See?) Why long narrow skirts should save more material than short wide ones is probably something the fashion director of Lit Brothers knows a good reason for, so you might as well stay out of that argument—but it does seem that if dresses are going to get narrower, girls will have to do the same. Maybe the narrowness of skirts is going to keep pace with food shortages, so the girls and their skirts will shrink in the same ratio.

Labor Trouble

For three years Mr. Raymond Carter and Mrs. Carol Harris have been the best of friends—ever since Mr. Carter, the operator of a jewelry store in Kansas City, Mo., resigned from the International Jewelry Workers Union (A.F.L.) because he had a fine slapped on him for not attending meetings. As soon as Mr. Carter quit the union, Mrs. Harris started marching up and down in front of his shop, carrying a sign saying, "Carter Jewelry Unfair." That's when the friendship started.

Mrs. Harris's presence began to do wonders for Mr. Carter's business—which soon doubled. Apparently it didn't make any difference to Mr. Carter whether his new clientele was violently anti-labor or not; business was wonderful. And he had to admit that Mrs. Harris had become one of the business's most valuable assets.

He began to take telephone calls for Mrs. Harris at the store; and when she had any urgent business to transact—like making an appointment at the beauty parlor—he was always more than glad to arrange things for her. Never



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a harsh word passed between Mr. Carter and Mrs. Harris.

Last week though, this beautiful friendship broke up. Mrs. Harris, who hadn't missed a day's picketing in three years, didn't show up for work for two days. With the best of intentions, Mr. Carter called union headquarters to find out—heaven forbid—whether she had been fired, and picketing was to be stopped outside his store. The union said certainly not; Mrs. Harris was supposed to be on duty as always—and they'd see that she got back there as soon as possible too.

When Mrs. Harris did show up, she was scarcely civil to Mr. Carter. She just picked up her weatherbeaten "Carter Jewelry Unfair" sign, and started marching briskly up and down outside the shop. After all, it's pretty disillusioning when an old friend turns into a stool pigeon, tattling to your boss every time you try to take a little time off from work. The last we heard Mr. Carter and Mrs. Harris still weren't speaking. It seems a shame, when they've been getting along so well all these years too.

Odd Jobs

Though there are a number of ways of making the sight lines in optical instruments—like microscopes, telescopes, surveying instruments, and such—one of the oldest and most satisfactory ways is to use spider silk for the cross hairs. A good deal of the spider silk used for this purpose is turned out by a gentleman named John G. Albright, a professor at the Case School of Applied Science in Cleveland, O., and his brother. The Albrights operate from Fredericktown, near Cleveland, where they keep about 200 spiders in a large blackberry patch.

To get the silk from the spiders they milk them like cows. While this is going on, the spiders are put into a device which keeps them from snipping the thread with their hind legs. The silk is wound in reels 100 ft. long, which are sold for \$9.

The Albrights don't worry about competition. Though they aren't exactly running day and night shifts yet, the business has speeded up a little since the defense program got under way. It doesn't look as though the government is going to have to start hollering for more spider-web producers to enter the field, however. The Albrights say they can easily produce enough spider silk to supply the country's entire needs in peacetime or wartime.

Happy Coincidence

A defense official in Portland, Ore. has made the mistake of scheduling a practice blackout for the night of Oct. 31. That's Hallowe'en.

THE TRADING POST

Defense and Future Profits—II

Last week, I printed here some comments from readers on Business Week's Aug. 16 Report to Executives on "National Defense and the Future of Profits." Here are some further extracts from additional letters elicited by the report.

Professor of economics, leading university:

... One point I would make, which I missed in your article, is that investors guessed very wrong when they held back in the 1930's. In public utilities, steel, and many other industries, large profits would now be realized which will not be forthcoming because there was so little investment in the 1930's. It almost seems that most investors usually invest at the wrong time. In the 1920's when profits were good, there was a great deal of investment and much of it was lost. In the thirties, there was little investment but it has been good and good profits are now being realized. While this is a paradox, there is little doubt that investors are still holding back. It may be that they are repeating the mistake they made in the 1930's, but the point you emphasize—that in fact they do not invest—is undoubtedly the most important. M. M. Bonn, early in the 1930's, talked about a strike of the investors, referring particularly to European conditions, and predicted that the consequence would be a complete smashup in Europe. The strike of the investors which we are witnessing in this country is similarly bound to mean a continuance of the trend toward the substitution of government investment for private investment.

Member, firm of factors:

... However, as I see it, one of the important phases of this problem you do not mention. The government is financing defense projects by increasing taxation and the excess amount needed is attained by the selling of bonds. If the government is going to keep employment at the present high level by financing peacetime projects instead of financing defense projects, it follows that the government will continue to spend funds above its income to finance these peacetime projects to keep employment at a high level. Therefore, the national debt will continue to grow and my question is, how far can it grow without inviting a collapse of government credit and subsequent serious inflation?

Director of research, chamber of commerce:

... It is with reluctance that I subscribe in part to the conclusions; for so far as I am concerned, I have not yet seen any evidence that there can be any self-generating and ever-upward industrial spiral. I feel that it has been clearly demonstrated that cyclical behavior is not a peculiarity of industrial life, and I am pessimistic enough to believe that in this instance homo sapiens will continue to be more sappy than sapient.

One thing I fail to find in the conclusions is any suggestion as to what motivating force

is going to replace the urge of human selfishness and greed, if you will, that has sent so many seekers after profit into the inventive fields of enterprise, restlessly moving forward time after time, forever sustained by hope of finding the main chance.

President, industrial manufacturing company:

... one finds it difficult to understand why such a large part of our more enlightened citizenry needs to maintain such a defeatist attitude. The mere fact that we have allowed certain abuses to enter into our system of private enterprise does not necessitate abandoning the only form of enterprise that will work, or the only form of government under which men can long remain free.

The papers, the magazines, and the radio programs are filled these days with the statement that our system of private enterprise has failed. Has private enterprise failed, or is it really a cross-breed mercantile-corporate system, which we have substituted for private enterprise, that has failed?

Firm of securities brokers:

... The unfortunate thing about all this is that the sensible man ends up just where you did. There is obvious need to plan but for what, and how? Despite this rather unsatisfactory conclusion, the very realization of what is happening may do some good in educating business men and in this sense your story seems to me to be extremely valuable. I was particularly well-impressed with the center section containing the story in chart form.

President, large manufacturer of household utensils: (I liked this one somehow.)

Having invested a considerable sum in the education of my elder son, I now propose to invest a much smaller amount in beginning his business education. The first and only course I am recommending to him is a regular perusal of Business Week, and to accomplish that I have just sent a check for \$5 to your circulation department.

The only reason I write you this is because I thought you would like to know that, having all of the business magazines available, I have selected Business Week as the most practical for a young man just entering industry. If he will read this regularly, and with reasonable thoroughness, he will be exposed to a broad picture of business as it exists in this country today, and he should learn a little more rapidly than he would otherwise.

Will you be good enough to mail to him a reprint of your current report, "National Defense and the Future of Profits"? Some of these reports, which you have published from time to time, have not excited me particularly, but every so often you do a job which I think is exceptional and this report is one of those. I am going to recommend to him that he read it, put it aside, and read it again six months from now. I wish you would extend my congratulations to the editorial staff on this report.

W.C.

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THE TREND

TWIDDLING, WHILE PRICES RISE

This week's action by the Canadian government in imposing strict price and wage ceilings throughout the Dominion (page 77) suggests that our Congress cannot afford to dally overlong with a price-control bill. Inflation already has started rolling in this country. Ever since the beginning of the war, wages, prices, and the cost of living have risen persistently. But there is a noteworthy contrast between this period and the corresponding period of the first World War. During the initial 25 months of the last war, wholesale prices and the cost of living advanced at a much more rapid rate than they have this time; on the other hand, during this war, wages have risen much more sharply than in the last war. Here are the comparative statistics:

	Wholesale Prices	Cost of Living	Weekly Wage Rates
	Per Cent Gain		
July, 1914 - Aug., 1916.....	26.4	10.6	15.2
Aug., 1939 - Sep., 1941.....	21.9	8.2	26.5

• The implications are that labor, being better organized than in the 1910 decade (BW-Aug.16'41,p34), has been able to get bigger wage increases than last time. Further, labor leaders, remembering the rapid increases in the cost of living during the first World War—have got in their demands for wage boosts early—in anticipation of future advances in living costs. This is not exactly in line with the orthodox economic theory that wage rates usually lag behind price advances.

The accepted economic doctrine of an inflation spiral runs something like this: Speculative prices go up; the cost of living follows; then workers are granted higher wages; these higher wages push up production and distributing costs some more, and prices are raised again to cover these higher costs. And so it goes—on and on—in a never-ending spiral of cause, effect, and cause.

But no inflation ever gets very far if the capacity to produce far outstrips the capacity to consume. That's basic. During the depression 'thirties, President Roosevelt actively and anxiously promoted "inflation." He wanted to boost commodity prices to help the farmer and stimulate industrial production. Government economists politely termed the procedure "reflation." Yet, even such radical and fear-inspiring actions as departure from the gold standard and tinkering with the gold content of the dollar failed to produce the desired boom in prices.

• At the time, most people—and speculators most of all—knew that any increase in prices, would serve only to bring an increase in the supply of goods; they realized also that the increased supply of goods coming on the market would tend to push prices back to where they started from. Indeed, that was the history of the 1933-34 price efforts. With idle plant and idle man-power, American producers could flood the country with goods, and neither speculators nor business men put faith in govern-

ment-generated price rises. Excess capacity proved an effective check against inflation.

Nowadays, however, there is no excess capacity. A rise in prices cannot bring about an increase in supply. On the contrary, an increase in prices tends to decrease supplies, because it stimulates owners of goods to hoard them for higher prices. And, simultaneously, the defense program absorbs an increasing quantity of critical materials, thereby constricting the production of civilian goods.

• Thus, in the United States today, we have the essential ingredient of any inflation—scarcity, the thing that made inflation click in Germany after the World War. So long as people feel that goods will be hard to get later on, they will prefer to spend their cash, rather than save it. This incentive to spend tends to raise prices, and the mere advance in prices tends to create anew a nervous, urgent demand for goods—what you purchase today, you won't have to pay more for tomorrow. Inflation feeds itself.

It is for this reason that action on price-control legislation has become urgent. So far, Price Administrator Henderson has managed to fix ceilings on many commodities by getting agreements among producers, by so-called "indirect sanctions." But his authority and his power to impose penalties have never been firmly established. In the case of Chrysler Corp. (BW-Jul.5'41,p15), and the anthracite producers (BW-Sep.27'41,p7), Henderson's requests for price limitations were challenged. And he was forced to back down.

• At some point, an administrator—whether Henderson or someone else—must have the assurance that comes with properly delegated authority to step in and regulate the price structure. In doing that, he will be in a position to bring pressure to bear on the wage structure. After all, in order to break up an inflation spiral, all that is necessary is to stop one of the factors in that spiral from advancing. By keeping prices down, the government would automatically do two things: (1) limit corporation profits (BW-Jul.12'41,p84), and (2) check the rise in the cost of living. Thus, the argumentative props would be pulled out from under union leaders who demand higher wage rates.

But first we must have a price-control bill. And the sooner it comes, the better. For prices and the cost of living are advancing at a quickening rate (BW-Oct.18'41,p13). More, the increasing inroads of the defense effort into civilian goods production are shortening the supply, and hence are aggravating the scarcity problem. So the need for congressional action becomes increasingly important. The way to fight inflation is to stop it—not talk about it.

The Editors of Business Week

Business Week • October 25, 1941

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